Daily Report

Latin America

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Presidents Meet in Montevideo on Border Conflict

Fujimori Warns Observers on Setting Borders

PY0103163695 Sao Paulo Rede Bandeirantes Television in Portuguese 1515 GMT 1 Mar 95

[FBIS Translated Text] Peru and Ecuador have signed a new agreement in Uruguay to put an end to the border conflict. The truce has been accepted by the representatives of the guarantor countries of the Rio de Janeiro Protocol that established the borders between the two countries. Latin American officials are in Uruguay to participate in the inauguration of Uruguayan President-elect Julio Maria Sanguinetti.

When Brazilian President Fernando Henrique Cardoso landed in Uruguay at 1800 yesterday afternoon, the visit of the official delegation seemed doomed to participate in a succession of formal ceremonies and not very important contacts. But the arrival of the Brazilian president triggered a number of diplomatic actions seeking a solution to the most important issue of the moment: the war between Peru and Ecuador.

First there was a meeting at the Brazilian Embassy among the foreign ministers of the Rio Protocol, the guarantors of the pacification process of the conflict between the two countries. Then President Cardoso was called hastily to a meeting with Uruguayan President-elect Julio Maria Sanguinetti, who will assume office very soon.

Early in the morning the foreign ministers of Peru and Ecuador finally signed the second cease-fire agreement. It also refers to the terms of the first agreement, which has never been fulfilled.

A few hours earlier, President Alberto Fujimori said that if the military observers who will supervise positions that are important to his country decide to demarcate border limits on their own [a sua rebelia], it would aggravate the conflict and would formalize a declaration of war against Ecuador.

This morning President Fernando Henrique Cardoso is receiving the two belligerent neighbors in separate meetings. But last night they were together for some hours in the same environment, without showing that they hated each other so much.

Fujimori Confirms Cease-Fire Order

PY0103164795 Madrid EFE in Spanish 1541 GMT 1 Mar 95

[FBIS Translated Text] Montevideo, 1 Mar (EFE)—Peruvian President Alberto Fujimori today personally confirmed to his Brazilian counterpart Fernando Henrique Cardoso that he had ordered a "cease-fire" in the zone of conflict with Ecuador.

The report was confirmed to the press at noon Uruguayan time (1530 GMT) by Brazilian Foreign Minister Luiz Felipe Lampreia after a meeting between the two presidents at the Brazilian Embassy in Montevideo.

Text of Montevideo Declaration Aired

PA0103180495 Quito Voz de los Andes in Spanish 1700 GMT 1 Mar 95

[From the "The Voz Andes Newscast"]

[FBIS Translated Text] In the Montevideo Declaration signed after five hours of talks with representatives of the Rio Protocol guarantors, the foreign ministers of Ecuador and Peru promised to observe an immediate and effective cease-fire. The text, signed by Ecuadoran Foreign Minister Galo Leoro, Peruvian Foreign Minister Efrain Goldenberg Schreiber, Argentine Foreign Minister Guido Di Tella, Chilean Foreign Minister Jose Miguel Insulza, Brazilian Foreign Minister Luiz Lampreia, and Alexander Watson, U.S. assistant secretary of state for inter-American affairs, reads as follows:

The foreign ministers of the guarantor countries of the Rio de Janeiro Protocol, meeting in Montevideo on 28 February 1995, held talks with the Ecuadoran and Peruvian foreign ministers. As a consequence of these talks:

1. The parties are grateful to the guarantor countries for their initiative of holding this meeting in Montevideo. By holding this meeting, the parties are showing their willingness to hold constructive talks with the object of consolidating peace by fully complying with the Peace Declaration of Itamaraty of 17 February 1995, following the dynamics of good faith and encouragement of trust.

2. The parties reiterate their commitment to the immediate and effective cease-fire that was formalized in the aforementioned declaration.

3. The parties are grateful for the guarantor countries' initiative that makes possible the immediate presence of their observers or representatives in the area, which will allow the supervision of the cease-fire and the concentration of forces in the previously agreed upon points: Coangos and PV1 [Watch Post One].

4. The guarantor countries reiterate their commitment to continuing to fulfill their obligations arising from the Rio de Janeiro Protocol, thus contributing to a rapprochement between the parties and the full consolidation of peace between Ecuador and Peru.

Fujimori Views Montevideo Declaration

PY0103173995 Lima Radio Programas del Peru Network in Spanish 1615 GMT 1 Mar 95

[Live telephone relay by correspondent Carlos Alvarado from Montevideo, Uruguay, to announcer Monica Berta in Lima]

[FBIS Translated Text] Good morning. This is a direct report from Montevideo. In approximately one hour, Uruguayans will be witnessing a democratic renewal in this sister nation as President Julio Maria Sanguinetti assumes leadership of the country for the second time. Peruvian President Alberto Fujimori made his first remarks to the

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Peruvian press about the signing of the Montevideo Declaration at dawn today by the foreign ministers of Peru, Ecuador, and the guarantors of the Rio de Janeiro Protocol. This is what President Fujimori said:

[Begin recording] [Fujimori] Supported from the very beginning by the Itamaraty Declaration, I was convinced that a peaceful solution would be achieved, and that all Ecuadoran troops remaining in the Upper Cenepa would be withdrawn.

[Unidentified reporter] Is there a commitment by Ecuador to achieve a cease-fire this time, so that what happened with the Itamaraty Declaration will not happen again?

[Fujimori] The first step to achieve this is to begin a cease-fire, and this cease-fire has apparently begun. There have been no major war activities over the past two days. It is quite different now from the days when we were there.

On the part of Peru, we have given strict orders not to fire any shot except in self-defense.

[Reporter] Had the war conflict been reduced considerably in the zone you visited? By what percentage has it been reduced?

[Fujimori] I could not tell you any percentage, but it is very noticeable, and besides, the presence of the observers will help reduce war activities even more.

[Reporter] Are there still some Ecuadoran troops or lost soldiers inside Peruvian territory?

[Fujimori] There are soldiers still there. B[illegible] with the Itamaraty Peace Declaration the Ecuadoran soldiers must gather at Coangos, and the Peruvians at PV1 [Watch Post One]. That is, following the cease-fire there will be separation of forces, and then a process of equitable demilitarization by both parties.

[Reporter] Have you talked about this issue with the presidents of the guarantor countries, Mr. President?

[Fujimori] I have talked to Chilean President Eduardo Frei and to Brazilian President Fernando Henrique Cardoso, and both countries will send observers who will stay in the zone near the conflict area.

[Reporter] Are they going there to oversee the cease-fire?

[Fujimori] Precisely. Their mere presence there will help make the cease-fire more effective.

[Reporter] Would you say that the Montevideo Declaration contains stronger terms than those of the Itamaraty Declaration?

[Fujimori] No. It is only a reaffirmation of the Itamaraty Declaration, which is also a reaffirmation of the Rio de Janeiro Protocol.

[Reporter] Are the observers going to stay in the area for the 90 days as established, or will they stay longer?

[Fujimori] They are scheduled to stay for 90 days, which can be extended depending on needs.

[Reporter] And what about the border markers, President?

[Fujimori] They will come following the demilitarization process, which will not be very fast. I cannot tell you how long it will take to place all the markers.

[Reporter] [words indistinct] the foreign ministers' meeting?

[Fujimori] Not for the time being. Yesterday's meeting only ratified what was agreed upon.

[Reporter] You have said that you would hold a meeting with the Ecuadoran president. Will you?

[Fujimori] There is no meeting scheduled with President Duran-Ballen. We hope the meetings at the foreign ministers' level will develop a little more, so that we will be able to meet with the president in the future.

[Reporter] [passage indistinct]

[Fujimori] [passage indistinct]

[Reporter] But you can talk with Ecuadoran reporters, can't you?

[Fujimori] Of course, and freely.

Duran-Ballen Urges 'Permanent' Observers

PY0103220195 Madrid EFE in Spanish 1835 GMT 1 Mar 95

[FBIS Translated Text] Montevideo, 1 Mar (EFE)—Ecuadoran President Sixto Duran-Ballen today stated that "the permanent presence of observers" in the conflict zone is the only guarantee that the Ecuadoran-Peruvian peace agreement will be respected.

In remarks to EFE in Montevideo, where he is attending the inauguration of Uruguayan President Julio Maria Sanguinetti, Duran-Ballen showed little enthusiasm to talk about the declaration signed here last night by Ecuadoran Foreign Minister Galo Leoro and Peruvian Foreign Minister Efrain Goldenberg.

Duran-Ballen said: "The arrival in the front zone, within the next few hours, of observers from the guarantor countries will be the best indication that the stated purpose (of securing peace) is sincere."

The Montevideo Declaration reiterates the commitment by the two sides to "immediately and effectively observe the cease-fire" agreed upon on 17 February. The declaration was also signed by representatives of the governments of Argentina, Brazil, Chile, and the United States of America—the four guarantor countries of the Rio de Janeiro Protocol of 1942, which allegedly resolved the Ecuadoran-Peruvian border dispute.

The cease-fire has not been respected and, as Duran-Ballen himself conceded today, fighting continued yesterday in the Condor Mountain Range, the disputed border zone.

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Duran-Ballen added: "If the observers from the guarantor countries honor their obligation of going to the conflict zone, they will be able to verify who is shooting, from where, and how." He lamented the fact that not a single shot was fired during the recent visit "of one hour and 15 minutes" made by the observers, for, as he noted, as soon as they left the area, the fighting resumed.

Duran-Ballen said: "I repeat that the presence of observers there must be permanent."

The Ecuadoran president stated that the act of resorting to the Rio de Janeiro Protocol, despite the fact that the Ecuadoran Congress and courts had declared it null, does not entail "relinquishing anything." He noted that, whether we like it or not, "the protocol is the only thing we have, and it is valid."

Duran-Ballen added: "The protocol is valid to the extent that we use it for the purpose stated therein; that is, as an instrument whereby, through the guarantors, we may find a solution to our disagreements."

According to Duran-Ballen, "neither country will benefit from a military escalation," because this will provoke the loss of human lives and will jeopardize economic recovery and the chances of development.

He said: "In Ecuador we had estimated that we would have a growth rate of 5 or 6 percent in 1995, but we will now have to settle with 4 percent growth."

Commenting on remarks by sources from the guarantor countries criticizing the Peruvian and Ecuadoran "persistence," Duran-Ballen said: "One side persisted in attacking us, and we persisted in defending ourselves, which is my obligation as president of the country."

Duran-Ballen believes this persistence will disappear if a true cease-fire is followed by talks between the two sides aimed at finding a final solution to the border conflict in keeping with "the spirit of the Summit of the Americas declaration, in which we agreed to peacefully settle our disagreements."

He added: "What we ought to do is sit at the negotiating table, recognize the geographic reality, and seek a solution that would be acceptable to both countries."

The Ecuadoran president denied foreign press reports that he is being pressured by the Ecuadoran military. He said that this report would, "in any case, apply to the other side (Peru)."

Duran-Ballen said: "The Army has been very, very supportive and respectful of the chief executive's decisions."

Duran-Ballen and Peruvian President Alberto Fujimori attended the Uruguayan presidential inauguration, but they did not exchange a single word, at least in public. Asked if he had met his Peruvian counterpart, Duran-Ballen said: "I have seen him around here."

Brazil's Cardoso, Lampreia View Cease-Fire Accord

PY0203022095 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 1 Mar 95

[FBIS Translated Excerpt] Peru and Ecuador have signed a new peace declaration. The new agreement, which was negotiated by the guarantor countries of the Rio de Janeiro Protocol—Brazil, the United States of America, Argentina, and Chile—was signed today at the Brazilian Embassy in Montevideo, Uruguay.

Brazilian Foreign Minister Luiz Felipe Lampreia announced that a mission of observers will arrive at the Condor Mountain Range on 8 March to verify compliance with the agreement.

[Begin recording] [Lampreia, in progress] ...the cease-fire, which is the first condition, so that we may implement a process of disengagement of forces through the withdrawal of the troops that are now confronting each other and, later, so that we may undertake a process to find a more lasting solution to the Ecuadoran-Peruvian controversy.

[Unidentified reporter] Hadn't the cease-fire already been declared?

[Lampreia] It had already been declared, but it was repeatedly violated. [end recording]

President Fernando Henrique Cardoso, who has been in Montevideo since yesterday afternoon, attended today the inauguration of Uruguayan President-elect Julio Maria Sanguinetti, who replaced Luis Alberto Lacalle.

President Cardoso had a busy agenda in Montevideo today. First, he met with Colombian President Ernesto Samper, with whom he discussed a possible complementary action in the area of energy, through an exchange in the use of energy among South American countries. Cardoso accepted an invitation to visit Colombia, possibly in July. He may also visit Bolivia in the next few months to attend a meeting of member countries of the Andean Pact and Mercosur [Common Market of the South].

Peruvian President Alberto Fujimori today came to the Brazilian Embassy in Montevideo to convey to President Cardoso his gratitude for Cardoso's personal effort in putting an end to the Ecuadoran-Peruvian conflict.

Cardoso also met this morning with Felix Pons Irazabal, president of the Spanish Parliament. Later, Cardoso met with Brazilian reporters.

At 1400 today, Cardoso attended Sanguinetti's installation ceremony at the Uruguayan National Assembly. Later, he attended a military parade at the Independence Square in downtown Montevideo. Tonight, Cardoso will be departing for Chile.

In remarks to reporters in Montevideo, Cardoso emphasized the significance of the new cease-fire agreement signed by Ecuador and Peru. He said it is senseless for young Peruvians and Ecuadoreans to be dying as a result of

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a conflict that can be resolved through negotiations. Cardoso said he is not promoting a meeting between the presidents of Peru and Ecuador.

[Begin Cardoso recording] That is not our purpose. Our purpose is to deploy to the conflict zone our observers—they are not only from Brazil, but also from the United States, Argentina, and Chile. The meeting of the two presidents is not necessary because, as you know, the foreign ministers yesterday reaffirmed the agreement signed earlier in Brasilia. All that could happen from now on would be just incidents. I am assuming that there will be good faith from both sides. [end recording] [passage omitted]

Cardoso Praises Argentine Economic Measures

PY0203014395 Sao Paulo AGENCIA ESTADO in Portuguese 1949 GMT 1 Mar 95

[Report by AE special correspondent Itamar Garcez]

[FBIS Translated Text] Montevideo, 1 Mar (AE)—In this city on 1 March, Brazilian President Fernando Henrique Cardoso praised the economic package decreed on Monday (27 February) by Argentine President Carlos Menem. The Argentine economic package seeks to achieve fiscal adjustment and to win the confidence of the international financial community. Cardoso stated that Brazil does not need to make any adjustment to avoid a financial crisis similar to that experienced by Mexico in December, which provoked the "tequila effect" in other countries. Cardoso, who came here to attend the inauguration of President Julio Maria Sanguinetti, said: "An atmosphere of absolute tranquillity prevails in Brazil."

Cardoso said: "Argentina is adjusting its economy in a very competent way. They did what they had to do." He again insisted that the Brazilian situation is comfortable. He said: "There is no problem in Brazil." He substantiated his statement by making a brief diagnosis of the Brazilian political-economic outlook: He noted that trade with the Common Market of the South [Mercosur] member countries has climbed from $2 billion to $10 billion; that the Brazilian international reserves are high; that the export process is under way; that there are are many foreign investment projects, such as those in the car industry; and that the constitutional reforms are also under way.

Cardoso defended the anti-consumption package adopted last week by the Brazilian Government. Cardoso said: "It seems to be unpopular, but it seeks to safeguard the interests of both the people and the nation." He added: "We are going to continue to act in this way." In remarks to Brazilian reporters at the Brazilian Embassy in Montevideo, Cardoso advocated the establishment of mechanisms to protect the international financial system from "the huge amount of speculative capital ciruclating in the world," so as to preclude the possibility of crises such as that of Mexico. It was the hurried departure of speculative capital from the stock exchanges that provoked the Mexican crisis. Brazil and Argentina have each lost $3 billion since December.

Cardoso said: "The Mexican problem is not an issue that affects Brazil or Argentina, separately. Rather, it is an international symptom." In his opinion, the Bretton-Woods postwar agreement must be revised, and to this end, he proposed that the G-7—the world's seven wealthiest countries—discuss the subject at its next meeting.

Cardoso suggests that the central banks adopt joint mechanisms of defense against the flight of capital. He said: "This will be done sooner or later." Cardoso noted that Felix Pons Irazabal, president of the Spanish Parliament, with whom he met today, and the Canadian prime minister, who visited Brazil recently, are in favor of this strategy.

Colombian, Chilean Presidents View U.S. Certification

PA0203042095 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0230 GMT 2 Mar 95

[Report by special correspondent William Parra from Montevideo; from the "CM& Newscast"—live relay]

[FBIS Translated Text] Colombian President Ernesto Samper today met with the presidents of Bolivia and Peru, who also received conditional certifications from the United States. What does the president think about the U.S. position? He spoke with our special correspondent, William Parra, whom we have live via satellite from Montevideo. Good evening, William.

[Parra] Good evening. The Colombian Government, in the person of President Ernesto Samper Pizano, was frustrated and disillusioned when he heard today's announcement by President Bill Clinton regarding the national security certification issued to Colombia in connection with its struggle against drug trafficking. We spoke with President Samper on the issue here in Montevideo.

In the afternoon, President Ernesto Samper met with Alexander Watson, U.S. assistant secretary of state for inter-American affairs. Watson advised the president of the U.S. Government's decision to present a conditional certification to Colombia for national security reasons. The Colombian president presented our country's position concerning President Bill Clinton's decision.

[Begin Samper recording] This only helps weaken the efforts that our countries, whether consumers or producers, should carry out together to defeat the drug trafficking plague. If we start opening files and blaming one another, the only ones who will benefit will be the drug cartels, and they will focus on the weakness created in the alliance that producer and consumer countries should maintain. [end recording]

[Parra] Nevertheless, Colombia believes the U.S. decision to impose a conditional qualification will not significantly affect our country.

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[Begin Samper recording] In no way will this weaken the measures Colombia will continue to implement against drug trafficking. This is an ethical commitment we have made with the Colombian people. It is also a national security issue. [end recording]

[Parra] Samper took advantage of his presence here, where he is attending the inauguration of Uruguayan President Julio Maria Sanguinetti, to discuss the U.S. certification issue with other leaders.

[Begin recording] [Chilean President Eduardo Frei] We are going to hold a meeting, through the OAS, to discuss this further, but with the United States.

[Parra] Do you think this is fair?

[Frei] No, not at all.

[Paragayan President Juan Carlos Wasmosy] I hope this problem can be resolved soon, but we must continue to fight drug trafficking. [end recording]

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Cuba

Cuba Rejects Imposition of Human Rights Rapporteur

PA0103230895 Havana PRENSA LATINA in Spanish 2302 GMT 28 Feb 95

[FBIS Translated Text] Geneva, 28 Feb (PL)—Cuba reiterated today its refusal to accept the imposition of a special human rights rapporteur for Cuba and argued that this appointment has nothing to do with Cuban reality and everything to do with U.S. anti-Cuban policy.

Cuba's permanent UN representative, Jose Perez Novoa, said at the 51st session of the UN Human Rights Commission (CDH) that every year since 1992, this organization has received a report on the alleged human rights situation in Cuba.

Perez Novoa said that the purpose of this document is to serve as the basis for the resolution that is also usually imposed on the CDH by the U.S. Government as an extension of its aggressive and hostile policy toward Cuba.

Perez Novoa reiterated the partiality, discrimination, selectiveness, and unfairness of that practice and condemned it saying that, far from promoting a climate of true cooperation among countries, it seeks, he underscored, to please capricious individuals who consider themselves owners and masters of the world.

Ambassador Perez Novoa stressed the fact that in Swedish rapporteur Carl-Johan Groth's report, he does not mention a single case of torture, political assassinations, massacres or forced disappearances.

Perez Novoa stated clearly that there are no references to anything that would form a picture of massive, systematic, and flagrant violations which would justify Cuba's inclusion in the human rights debate, the adoption of a resolution, or the appointment of a rapporteur.

Perez Novoa argued that a situation that has not existed for 35 years cannot be depicted regardless of how much the facts are distorted and despite efforts to justify such crude actions.

Recalling that Cuba was the first Latin American country to invite the UN high commissioner for human rights to the island, Perez Novoa pointed out that this invitation demonstrated both the importance the Cuban Government attaches to human rights and the fact that Cuba has nothing to hide with regard to human rights.

Perez Novoa said that the report questions the legitimacy and viability of the Cuban system, as well as its legal and constitutional framework.

Culture Minister Launches First U.S. Book Fair in 35 Years

FL0103154095 Havana Radio Progreso Network in Spanish 1200 GMT 1 Mar 95

[From the "First Thing" program]

[FBIS Translated Text] In Havana City, Culture Minister Armando Hart has launched a book fair of books published in the United States. This is the first such event to take place in Cuba in the last 35 years. Hart stated that this proves Cuba's policy, which is to establish relations with any country, above and beyond any existing differences.

Foreign Minister Attends Uruguayan President's Inauguration

FL2802153595 Havana Radio Progreso Network in Spanish 1200 GMT 28 Feb 95

[From the "First Thing" program]

[FBIS Translated Text] On 27 February, Cuban Foreign Minister Roberto Robaina traveled to Montevideo, Uruguay, to attend Julio Maria Sanguinetti's presidential inauguration, which will take place on 1 March.

Meets Uruguayan Foreign Minister

FL0103153295 Havana Radio Rebelde Network in Spanish 0000 GMT 1 Mar 95

[From the "Exclusive" program]

[FBIS Translated Text] Cuban Foreign Minister Roberto Robaina arrived today in Montevideo, Uruguay, to participate in the inaugural ceremony of Uruguayan President-elect Julio Maria Sanguinetti. Minutes after his arrival to Montevideo, Robaina met with his Uruguayan counterpart Sergio Abreu. Eight Latin American presidents and representatives from another 50 countries will attend Sanguinetti's inaugural ceremony tomorrow in Montevideo.

Assembly Vice President Crombet Reviews African Tour

PA2802131495 Havana Radio Havana Cuba in Spanish 0000 GMT 26 Feb 95

[Interview with Jaime Crombet, vice president of the ANPP, by Barbara Bethancourt; place and date not given; from the "Evening Information Review" newscast—recorded]

[FBIS Translated Text] [Bethancourt] Jaime Crombet, vice president of the National Assembly of the People's Government, has just paid an important visit to various African countries. That is why we are talking to him, to hear about the basic details of this visit. Incidentally, it has been a long time since any member of the Cuban parliament visited Africa.

[Crombet] I would not say just Africa, but specifically those countries that I did visit to keep promises that had been piling up for several years. Our parliament has been visited by most of the countries I visited; I had to fulfill our obligations to them.

[Bethancourt] I see.

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[Crombet] As you know, we visited Angola, Namibia, Zambia, and Zimbabwe. We used the technical stopovers in Rio de Janeiro to spend our time in the most useful way possible, and we scheduled working activities in both Rio de Janeiro and Paris on our way back. The goal of our visits to those African countries I mentioned, meaning Southern Africa, was to exchange the experiences of our parliament with those of the other countries' parliaments; strengthen relations; offer thanks for the moral and political support Cuba receives from those parliaments and countries in international forums like the United Nations and different commissions where the issue of Cuba and the blockade against Cuba is discussed; strengthen relations and increase cooperation, economic aid, and commercial cooperation; and discuss the possible presence of Cuban specialists in those countries.

[Bethancourt] Mr. Crombet, on the issue of trade, on the economic front, are there really any prospects for this with those countries, which are really pretty far away?

[Crombet] The distance, the remoteness is a factor, an element to be taken into account. It makes things more complicated and increases the costs of transportation and trips for exchanges. Despite those difficulties, there are strong ties between our people and the people in those four countries thanks to historical, cultural, and ethnic factors.

The outlook in Angola's case... [pauses] I think that prospects for cooperation between Angola and Cuba are very promising, once peace is consolidated, the Lusaka accords are implemented, and the UN troop presence consolidates and protects the peace process.

We also have strong ties with Namibia. Hundreds of Namibian students have graduated and now serve their country. There are Cuban specialists rendering cooperation in Namibia, and there are prospects for increasing this.

In Zambia, we can say that the public health minister and a team of technical specialists may soon visit Cuba. They intend to increase cooperation, from the 36 specialists now working up to a total of 225 specialists. In other words, the Cuban presence will multiply. This will, in fact, occur throughout the Zambian territory, given our doctors' prestige, authority, capability, scientific skill, availability, and willingness to go anywhere in the territory. Sometimes this does not happen with specialists from other countries. We saw strong ties of affection and solidarity between our people and the Zambian people.

Relations with Zimbabwe have also traditionally been very strong. There are some Cuban specialists in Zimbabwe. I also believe there is a chance that this will increase.

I believe that for the immediate future what is most important for Zambia is studying the possibility of building a sugar mill. A feasibility study is being done, and with Cuba's experience, this may very well happen. There is also the possibility of exchanging biotechnology with Zambia, maybe in terms of 20,000 vaccines for meningitis. I also believe that there are great future prospects with Angola. I believe that Cuba's links with Africa, in general, are very strong. It is up to us to strengthen these and establish links between the parliaments, the governments, the parties, and mainly the peoples.

[Bethancourt] The president of Cape Verde's National Assembly is due here soon. He is also president of the African Parliamentary Union.

[Crombet] Indeed, this gives us yet another opportunity to strengthen our ties with African countries. Our ties are also historically very strong with Cape Verde, Guinea-Bissau, Sao Tome and Principe, Angola, and Mozambique.

[Bethancourt] Many thanks for your statements to Radio Havana Cuba.

Politburo Member Addresses ANEC on Monetary Duality

FL0103153095 Havana Radio Rebelde Network in Spanish 1800 GMT 28 Feb 95

[From the "National Radio News"]

[FBIS Translated Text] The fourth congress of the National Association of Cuban Economists [ANEC] concludes its activities today after several days of intense labor with the commitment of continuing its efforts to find solutions to overcome the current and complex problems with the smallest social cost possible. Correspondent Mariela Diaz, who is at the Convention Center, has more details:

[Diaz] Monetary duality and its social cost in our country is the topic that is being debated at the fourth congress of the ANEC. Alfredo Gonzalez, adviser to the minister of Economy and Planning, spoke on the matter:

[Begin Gonzalez recording] The existence of two currencies creates remunerations no longer related to the salary scales and systems that existed in, let us say, 1989. This has brought about a strong exodus and readjustment of the labor force that does not always correspond with the established economic or social objectives. In other words, people are moving from highly trained positions with a higher social and economic responsibility to other positions that require little training but that have some type of economic advantage—the activities of tourism, all these activities related to the [word indistinct], the activities of these markets, etc. All this creates a pretty complex situation. Sometimes people say that not everyone will come out of the special period at the same level, that there are some inequalities, as if we were still in the situation that we were in in 1989. The situation has changed substantially and there are these other phenomena. We must solve these phenomena because it would be impossible to achieve this whole transformation process and maintain a [word indistinct] policy towards the economy. We cannot accept these great inequalities. [end recording]

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[Diaz] Politburo member Carlos Lage commented that eliminating the monetary duality would make achieving increased production levels necessary.

[Begin Lage recording] Monetary duality is a transition, a necessary transition in the circumstances that we find ourselves, which is conditioned by many factors. I believe the base to eliminate the monetary duality is to increase production, and for the country to recover economically. From those conditions we reach the conditions to apply complimentary measures, therefore that is the base and it should be the main effort. [end recording]

Finance Minister Makes Closing Address

PA0203020995 Havana PRENSA LATINA in Spanish 0125 GMT 1 Mar 95

[FBIS Translated Text] Havana, 28 Feb (PL)—Finance and Price Minister Jose Luis Rodriguez today said that Cuban economists must contribute to devising the economic strategies the island's authorities are implementing.

In closing the fourth congress held by the National Association of Cuban Economists [ANEC], Rodriguez praised the significant role economists play, because, he maintained, it would be impossible to put into practice development strategies without their opinions.

He stressed that Cuba is trying to join the world economy without putting aside its socialist features, thus strengthening its national freedom.

He pointed out that the state budget deficit has been reduced by 72 percent for the time being, although he acknowledged that "we have yet to implement the internal financial mechanisms that the Cuban economy needs." He also described as positive the recovery of the national currency.

Minister Rodriguez insisted on the need to resist the impact of the economic crisis the island is facing due to the fall of the socialist world and the disappearance of the former Soviet Union.

"For years, our development costs were eased thanks to the socialist bloc, but we now must face the difficult and crude reality that looms over the country," he explained.

He emphasized the need to preserve the role of the state, "which cannot limit itself to guaranteeing social costs; the state must play a significant role in the efficient planning for the use of resources."

The final report recommending economic registration and controls, the fight against crimes and illegal activities, the process to clear up public finances, and the reorganization and restructuring of the Cuban economy was approved at the last session of the congress.

The report also includes suggestions for supporting the new forms of agricultural organization; for coaching and training economists, accountants, and other professionals of the sector; and for business administration and management strategies.

The economists elected Roberto Vernier and Aristides Naranjo as president and vice president of the association. It also approved a national committee made up by 55 economists.

More than 400 professionals, as well as Carlos Lage, Council of Ministers vice president; and Jose Ramon Machado Ventura and Esteban Lazo, members of the Politburo of the Communist Party of Cuba, among others, attended the closing of the congress.

Further on Address

FL0103153395 Havana Radio Rebelde Network in Spanish 0000 GMT 1 Mar 95

[From the "Exclusive" program]

[FBIS Translated Text] Just minutes ago, the fourth congress of the National Association of Cuban Economists [ANEC] concluded at the convention center in Havana City. Our correspondent Jorge Perez has more details.

[Perez] Good evening, Cuba. The fourth congress of the ANEC closed this afternoon at the convention center after three days of sessions. The proposals made by the congress' seven commissions contained the issues that were debated at the congress. All these along with the final declaration were unanimously approved by the plenum.

Delegate Mercedes Guerra read a special recommendation where the delegates saluted and wished success to the Federation of Cuban Women and the Federation of University Students who recently held [as heard] their respective congresses. The closing speech was given by Jose Luis Rodriguez, Minister of Finances and Prices who, referring to the Cuban socialist model, stated:

[Begin Rodriguez recording] The Cuban socialist model preserves the state's role as a vital political and economic [words indistinct] and not a mere regulator of spontaneous economic (?tendencies) or a guarantor of a network of basic social services. For that reason, the corner stone of our economic policy is the defense of state and social property as a preponderant and determinant element in Cuban society. This suggests, above all, that the state would continue to play a vital role in the planning so that it continues to be—as Che once stated—the way of the socialist society, its defining category. [end recording]

Report on Closing of Congress

PA0103201395 Havana PRENSA LATINA in Spanish 0030 GMT 1 Mar 95

[FBIS Translated Text] Havana, 28 Feb (PL)—The Fourth Congress of the National Association of Cuban Economists (ANEC), which ended in this capital today, expressed its support for the country's economic transformations and for increasing the efficiency, production, and profitability of companies.

The meeting, which brought some 400 professionals together in a common forum, learned via a message from

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President Fidel Castro about Cuba's role in the unity of the nations and the fight against the U.S. blockade. Castro said the best economic decisions will always be those that strengthen national independence.

The seven working commissions participating in the congress proposed, as part of their final agreements, support for decentralization of business administration; strengthening of state supervision; a price policy linked to quality; and appropriate financial discipline.

They also proposed making a priority the scope of social assistance to the neediest sectors, but without paternalism; dovetailing labor policy with the principle of equity and social justice defended by the Cuban revolution; and perfecting the exchange rate in keeping with national economic goals.

Other recommendations were to create conditions for institutions to accede to foreign credit terms in accordance with international stipulations and to make accounting graduates work in agricultural cooperatives as part of their social work.

The attendees considered that the policy of agricultural restructuring was positive, supported perfecting the pricing system to contribute to production efficiency, and proposed the creation of the Annual Technical-Scientific Award in Economics to recognize outstanding work in this field.

Delivering the closing speech, Jose Luis Rodriguez, finance and prices minister, pointed out that the significance of the tactical implementation of each of the economic measures depends on the timing, without undermining the foundations of the socialist system.

Rodriguez stated that Cuba will persevere in the role of the state as a fundamental economic actor, not just as a guarantor of basic social services, and described as the cornerstone of the strategy the defense of the state with social ownership as a leading factor.

The minister read the letter sent by Fidel Castro to those in attendance, in which he remarked that the country has been able to resist the U.S. blockade and the collapse of the socialist bloc thanks to its unyielding resolve to fight, its pure patriotism, and its unity around the revolutionary project.

In the economic arena, we have been capable of introducing the changes that have been necessary in our management methods and mechanisms, always acting with flexibility and realism within the revolutionary principles, which we will never give up, Castro's message adds.

The congress chose Roberto Verrier and Aristides Naranjo as president and vice president of the ANEC, respectively.

Lage: Measures Implemented 'Strengthening' Socialism

FL0103153495 Havana Radio Progreso Network in Spanish 1200 GMT 1 Mar 95

[From the "First Thing" program]

[FBIS Translated Text] Carlos Lage, vice president of the Council of State, informed PRENSA LATINA that the measures being implemented in Cuba, far from going against Cuba's system, are strengthening our socialist system and making it more flexible and practical.

Vilma Espin Addresses Opening Session of FMC Congress

FL0203031295 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 2 Mar 95

[From the "NTV" newscast]

[FBIS Translated Text] Vilma Espin, president of the Federation of Cuban Women [FMC], gave an address at the opening session of the Sixth FMC Congress, stressing the importance of women in these times and the work of the FMC in the last five-year period. Vilma Espin listed the labor sectors to which the FMC has contributed female workers, pointed out that approximately 19,000 women have joined agrarian tasks, and that last year, approximately 6,000 women formed sugarcane recovery groups. She quoted the experience of Granma Province where FMC members contributed about 4,000 work implements such as files and machetes for agriculture. According to her address, in 1989 the female labor force was 38.7 percent; by 1994 it had reached 40.6 percent.

[Begin Espin recording] We can still observe that the higher the management level, the lower the percentage of women. There are many who believe that men are better workers because they have more time and fewer personal difficulties, on the basis of the obsolete opinion that women alone bear the responsibility for homemaking and child rearing. We have the challenge of improving our effort in this regard. [end recording]

The address stressed the importance of the contribution of social workers who watch out for the well-being of children without parental support, the performance of special schools, and problems such as alcoholism and prostitution.

[Begin Espin recording] As part of the development of the plan for the prevention and handling of these behaviors, we have held meetings with leaders and specialists from various organizations, including tourism officials, in order to implement a multisector, multidisciplinary effort, including the joint analysis of causes and conditions for this phenomenon. Prostitution is one of the issues on which we are focusing through this integral approach. [end recording]

Vilma insisted that the FMC must conform to the needs of every region and, above all, focus on family orientation and children and youth programs.

Students from the Performing Arts School and Armed Forces cadets participated in the opening session of this congress, held with a view to a phrase by Marti: The entire fatherland is embodied in the women: If she fails, we perish; if she is true, we live.

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Raul Castro Attends FMC Opening

FL0103164595 Havana Radio Reloj Network in Spanish 1532 GMT 1 Mar 95

[FBIS Translated Text] Army General Raul Castro, second secretary of the Communist Party of Cuba [PCC], attended the opening of the Sixth Congress of the Federation of Cuban Women [FMC] at Havana's Convention Center. With the national congress, the FMC concludes a process that began in May in which they have evaluated the work of the FMC and its current challenges. Last night, delegates and guests to the meeting discussed diverse issues such as the structure and operation of the FMC; women's participation in economy, community, politics, and defense; and their reflection on the media.

During the congress, the delegates will elect and present the new national committee and secretariat of the FMC.

Raul Castro Addresses Congress

FL0203030295 Havana Radio Rebelde Network in Spanish 0000 GMT 2 March 95

[From the "Exclusive" program]

[FBIS Translated Text] The Federation of Cuban Women [FMC] Sixth Congress is taking place at the Havana Convention Center. It is an historic event because it is the first FMC plenum during this difficult special period.

During her presentation this morning, FMC president Vilma Espin gave a lively chronicle of the true labor feats of Cuban women, from sugarcane and tobacco workers to urban professionals.

Commander in Chief Fidel Castro predicted the difficult times to come during the conclusion of the FMC Fifth congress. So the FMC had the true challenge of following Fidel Castro's advice in confronting the special period. The women's response was impressive. They are a decisive force, and have raised their aspirations to avoid defeat under any circumstances. They progress despite the problems they encounter. This became clear during the interventions of several delegates, who had proud, honorable records behind them in all sectors, professions, and jobs.

Army General Raul Castro made an appearance this afternoon during discussion of an agreement project by the Women and the Economy Commission.

[Begin Castro recording] I believe in you and your organization because women represent moral force in every sense. We need only read the basic study on their contribution to the technical and work forces, despite current shortages. The FMC and all mass organizations—under the direction of the Party, of course—need to help us in this gigantic battle to remove the psychological barrier we hold in our minds. You also need to help us eliminate our inside lies even if it takes a brush to rub our skins free of foreign contamination, which we also have.

Issues should be addressed directly, not in the halls, because disagreement is not opposition and the best decisions always come from healthy disagreement. The more differences of opinion there are, the more deeply problems can be studied. [end recording]

Attorney General Discusses Economic Crimes

PA2802232595 Havana PRENSA LATINA in Spanish 1938 GMT 27 Feb 95

[FBIS Translated Text] Havana, 27 Feb (PL)—Attorney General Juan Escalona told PRENSA LATINA today that economic crimes have become more complicated in Cuba because of all the economic changes that have taken place in this country.

Escalona, who is participating in the Fourth Congress of the Association of Economists being held at Havana's Conventions Palace, explained that in light of the emergence of new economic structures, stricter control should be exercised "so that such well-known crimes as embezzlement and mismanagement of funds do not occur again."

Congress attendees expressed their support for an effective control of the resources to correctly implement the system of direction and economic planning, irrespective of the formulas, mechanisms or procedure used.

Faced with the current special situation in Cuba and as a result of partial or total shortages in a broad range of products, it is necessary to control and distribute the few reserves available, as well as to prevent squandering, Escalona pointed out.

The experts spoke in favor of either creating smaller accounting organizations or decentralizing the accounting system to try to put management in closer touch with the resources they manage to better control them.

The economists also backed the concentration of all audit activities, which are currently in the hands of several organizations, in one single state organization with control and oversight duties. This new organization will exercise its duties completely and independently.

Some 400 experts are reviewing other topics such as the process of reorganizing domestic finances, the restructuring and reapportionment [redimensionamiento] of the Cuban economy, new forms of agricultural and administrative organization, and business organization and management. This meeting will continue until Tuesday.

Sugar Industry Minister Predicts Improved Harvest

PA0103221595 Havana PRENSA LATINA in Spanish 2222 GMT 28 Feb 95

[FBIS Translated Text] Havana, 28 Feb (PL)—Nelson Torres, Cuban Sugar Industry Minister, today announced that the existence of more fertilizer and other products will enable Cuba to produce 5 million tonnes of sugar in the 1995-96 harvest.

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Speaking before the delegates of the Fourth Congress of the National Association of Cuban Economists, Torres said that after four years of fertilizer shortages in the farming of sugarcane, Cuba already has the necessary chemicals for the next harvest.

Torres noted that all sugarcane plantations have been provided with fertilizer in line with the quality of the soil and the nutritional requirements of the crop.

"We have studied how much we can produce with or without fertilizer and other necessary products. Sugar production obviously will show improved results in the 1995-96 harvest," he explained.

Saying it will be very positive and mark "a good beginning," Torres welcomed the return of the use of fertilizer, which has been limited for four years since imports of chemical and fuel supplies came to a stop from the former socialist bloc countries.

He predicted a leap in production, which, "although it will not equal the results obtained six years ago, it certainly will not compare to the production levels obtained in the past harvest."

He warned, "Fertilizer is not everything, although it is a very important component that should go hand in hand with improved organization and attention to the cultivation of the plants."

The problems of Cuba's sugar industry seem to be heading toward a solution with the renewed supply of fertilizer and other products used to farm sugarcane, as well as a greater supply of clothing and shoes for sugarcane cutters (macheteros).

In the 1993-1994 sugarcane harvest, Cuba produced 4 million tonnes, which was 200,000 tonnes below the 1992-93 harvest and 3 million tonnes below the 1991-92 harvest. Some experts are predicting that production will range between 3.3 million and 3.7 million tonnes [figures as received] in the upcoming harvest.

Evaluates Harvest

FL0103154895 Havana Radio Rebelde Network in Spanish 0000 GMT 1 Mar 95

[From the "Exclusive" program]

[FBIS Translated Text] The situation of the sugar harvest and the recovery of the sugar industry, as well as a new housing program for members of the Basic Cooperative Production Units [UBPC] were among the issues discussed at the Cuban Workers Federation's [CTC] extended secretariat meeting. The meeting included the participation of labor leaders from all provinces and, obviously, the secretary generals of each labor union. Undoubtedly the issue that took up most amount of time was the program for the building of homes as a way to stabilize the work force in our main industry. This project is complemented by a plan, sponsored by the CTC and the Ministry of the Sugar Industry, aimed at improving the bateyes [sugar mill villages] which proposes the construction of 15,000 homes, of which the first will be concluded by the end of the current year.

Sugar Industry Minister Nelson Torres gave a speech to those present at the meeting. Torres evaluated the progress of the harvest as positive and announced that, with the late arrival of some resources, all sugar mills would now be processing sugar. He highlighted the heroic deeds of the sugarcane collectives, who, in spite of having little raw material, defend the battle of the harvest with the quality of the cut. He also stated that the extensive weed situation has made it necessary to burn the fields in preparation for the next planting campaign. Torres also announced that for the next campaign we will have fertilizers.

FAR Civilian Workers Congress Held on Isle of Youth

FL0103031895 Havana Radio Rebelde Network in Spanish 0000 GMT 1 Mar 95

[From the "Exclusive" program]

[FBIS Translated Text] Brigadier General Leopoldo Cintra Frias, member of the Politburo of the Communist Party of Cuba and chief of the Western Army, presided on 28 February over the plenary session of the Sixth Congress of the Union of Civilian Workers of the Revolutionary Armed Forces [FAR] on the Isle of Youth. The main subjects discussed were the self-financing efforts of military units, profitability, costs, and the contributions that military institutions can make to the tourism sectors through supplemental production. Likewise, the congress delegates discussed food production for the military units as well as for the population. The closing address was given by Harry Villegas, chief of the ideology department of the Western Army, and a recent recipient of the Hero of the Republic of Cuba award. Villegas stressed the need for the civilian workers to feel as one with the commanding staff of every military unit. He also stressed their need for involvement with personnel welfare programs and their decisive contributions to each and every one of the tasks assigned.

Panel Discusses Union's Role in UBPC's

FL0103185595 Havana Radio Rebelde Network in Spanish 1700 GMT 27 Feb 95

["Straight Talk" program with host Juan Carlos Roque Garcia and guest Renato Recio]

[FBIS Translated Text] [Roque] The Basic Cooperative Production Units [UBPC]—who represents them and who defends their interests? I think this is a question many people have asked themselves. We have received many letters about this issue. The UBPCs are a new structure in Cuba's agriculture.

[Recio] Many ask about this, that's true. How are the unions going to function within the UBPCs? On one hand, the UBPCs dedicated to sugarcane harvesting are related

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to the sugarcane workers union and the UBPCs dedicated to other crops and livestock are related to the agricultural workers union—both unions have continued to function within their respective UBPCs. However, these unions have always represented salaried workers; they have always been involved in the state's sugarcane and agricultural sphere. Now, the unions find themselves involved with the UBPCs, which, as you know, do not pay salaries. The UBPCs pay out advances according to the task that is being done and if at the end of the harvest there are positive economic results then the benefits are shared among the UBPC's workers.

[Roque] These new conditions have also generated a change in the unions or do you think the unions are still the same?

[Recio] What we want to analyze here is just how much the unions must change. No one had the slightest idea of what this was all about; this is a new experience. Even the unions were surprised by the question everyone is asking and that is centering our discussion today. What we have seen up to now is that this type of worker—I repeat he does not draw a salary, as such—is not a state worker and does not have a boss either. The UBPCs are an autonomous organization, its a collective type organization. They are managed by directors, whom the workers elect themselves. It is a clear form of democracy. The idea of salaries is not present, so what is left for the union? I think I have the answer.

[Roque] Yes, but first we should clarify certain issues. Not all our listeners understand when you say they the are not salaried workers. We must explain that they receive an advance payment...

[Recio, interrupting] They do not receive this payment, they pay it to themselves. Yes, because the idea that they receive this money would lead one to believe that they are paid by some other organization. This is not the case. They themselves agree as to how much money they are going to pay themselves, which will be sufficient for them to live on during the time that the crops are not ready to be harvested. This money will cover their needs until they can distribute benefits, if they were to produce benefits. They agree on how much money to pay themselves by task or on a per-day basis. That way they can maintain themselves and their families—that is the first need.

[Roque] Along with these decisions, other decisions must be made by their union representatives. I mean, that among them there are comrades that are union members or who are in the Communist Party of Cuba and in the Union of Young Communists.

[Recio] Yes, but the UBPCs are almost unions in themselves. I mean that all the interests that are involved, from the president's—who was elected by the workers to be the person who directs the UBPC—to the governing commission and everyone there, they all share the same interests. That's where there could be a problem. There could be a difference of opinion between their UBPC's leadership and workers.

[Roque] If there where situations of this type, how could they be resolved?

[Recio] The UBPC's workers have the right to meet in an assembly and remove their bosses. That is all they would have to do, simply vote against them. If you are at a UBPCs and disagree with the work being done by the boss or the governing commission, all they have to do is to elect another. That is something totally different.

[Roque] We have introduced this issue regarding the UBPCs and how the unions are to function, or are functioning right now, within this new structure in Cuba's agriculture.

[Recio] What I know is very clear is that the union representing one UBPC or all the UBPCs must defend the UBPC's interests with regard to external factors associated to the UBPCs. The UBPCs that produce sugarcane are involved with a sugarcane mill. This means that the UBPCs sugarcane production should be compared, planned, and purchased by a sugarcane mill, an agroindustrial complex [CAI]. Obviously, the UBPC's union must be aware of all aspects of any agreement or accord that may exist between the CAI and the UBPCs. There are a number of agreements, many of which are still under a very strict tutelage. Let me give you other examples. The CAI agrees to supply engines for the combine-harvesters. In what condition are those engines and when will they be ready? The CAI calls for the UBPC to cut the cane. Under what conditions and how often? Let us say that a UBPC contracts workers—unfortunately, workers are mobilized and the UBPC must pay them. For example, a cane cutter. What if the CAI is not grinding cane during several days—there may be good reasons for not grinding—but the UBPC has to pay the workers, even if they have not been able to work.

Summing up, what are the UBPC's rights and responsibilities, not only internally, but with regard to external factors. The UBPCs that produce miscellaneous crops are involved with the State Agricultural Collection System. How is that relation to be handled? What are the products' prices? How are the products collected, and how are they to be transported? There are many things that can affect the UBPC's interests.

[Roque] Do you think that the change that unions are experiencing at the UBPCs might give way to the true role the unions are to play? I mean do you think that this will be the unions' true role in Cuba? Could this be an experience to analyze and consider?

[Recio] Yes, I think that Cuba's unions are constantly getting closer to playing a more important role than what they have had in the past, however, that is not only due to the unions' will. It is also because Cuba's economy is being decentralized. What everyone thought were the workers' general interests...[pauses] I mean the workers' interests were viewed from the perspective of society's greater goals. Now, I believe the workers' interests have created a new situation. Now, there are workers' individual interests,

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workers' collective interests, and even territorial interests. The problem now is that all these interests will correspond to national interests. Now, there is a concentration of individual interests—I am referring to appropriate interests, economically and morally—these interests must be represented and defended. With regard to the UBPCs, these interests are those of a small collective. I have always summed up interests according to the relation between rights and responsibilities. You have responsibilities, therefore you must comply. I think that the unions must make sure their members comply with these responsibilities, however, there are also rights and those rights are sacred, therefore, we must demand that these rights be protected.

[Roque] I would say that the union is not falling behind during the transformation of Cuba's agriculture. The unions are in touch with the core of these changes, these transformations. They are on the ...

[Recio, interrupting] I have observed that in the superior structures of the Cuban Workers Federation [CTC] and other organizations, they are aware of this situation. This will not happen as quickly as would be desired—there is a long way to go. I am going to give you an example. I believe that the sugarcane workers' union is fundamentally an industrial union. Its members—even at the provincial level—have an understanding of the problems in the sugar's industrial sector, but they have very few people in touch with the agricultural sector's problems. That will probably need to be transformed in the future.

[Roque] We were talking about the union's new role within this new Cuban agricultural structure. We already have the National Association of Small Farmers [ANAP]. Do you think that the CTC and the ANAP have the same interests?

[Recio] With regard to the UBPCs, there should be a similarity in the method and style of work both organizations carry out.

[Roque] Does one organization displace the other?

[Recio] I don't think so. In the first place, the ANAP does not only serve the agricultural-livestock cooperatives. It serves individual farmers and credit and service cooperatives, which have another structure and function.

[Roque] Do you think the roles of the CTC and the ANAP are well defined?

[Recio] Yes, but of course the agricultural-livestock cooperatives are the ones that have more in common with the UBPCs, because the UBPCs are cooperatives. One cooperative is the same as the other with the only difference being that the agricultural-livestock cooperative, organized in the ANAP, own their land and the UBPCs own everything except the land, however, they have the same cooperative function. I truly believe the work the sugarcane workers' union and the agricultural workers' union will do within the UBPCs will be similar to that of the ANAP, rather than to what they had been doing within the state's agricultural sector. I think that there is much to learn. Many people believe the unions within the UBPCs should be something similar to the ANAP; I agree, however, many things must be created. Nothing that is copied dogmatically and mechanically will suffice. There must be many changes with regard to the manner and style of these relations, especially, because things are not going to continue the way they are now. There will be a very strict system of economic contracts between the producers of agricultural products and the buyers, whether these are sugarcane mills, markets, or the State Agricultural Collection System.

[Roque] The concern is that the unions' task within the UBPCs will be very different from their task within state enterprises or organizations.

[Recio] It could be different in its style, form, or method, but the workers' general interests will always be represented by the union, if we do this correctly.

[Roque] However, the unions within these enterprises should be very aware of the experiences within the UBPCs.

[Recio] Yes, but that's another issue we could go into on another program.

[Roque] Why not, Renato. Thank you.

National Assembly Commission Visits Pinar del Rio

FL2802232395 Havana Radio Reloj Network in Spanish 2054 GMT 28 Feb 95

[FBIS Translated Text] A commission of local government bodies of the National Assembly of the People's Government, headed by Deputy Tomas Cardenas, has begun a work visit to Pinar del Rio Province to assess the operations of local organizations.

Commission Secretary (Corintia Astrada) stated that delegates will examine the management of municipal assemblies' people's councils, the delegates' work, and the roles of mass organizations and the Union of Young Communists. In addition, the commission will also assess the results of the last progress report and the work relations of municipal assemblies and management councils. The commission will also try to find adequate solutions to problems that concern it during this visit.

Roundup of Economic Developments

FL2702161595

[FBIS Editorial Report] The following is a compilation of reports on Cuban economic developments monitored through 27 Feb 95.

Ozat 03, a new Ozat automatic system capable of measuring surface ozone, is been successfully used in western agricultural areas. Dr. Jesus Ramirez, who developed the system, told PRENSA LATINA that the method was first introduced in tobacco, garlic, and jute crops in Havana. Ozat 03 allows producers to receive a five day advanced

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ozone increase forecast, and thus, they can take the appropriate measures to protect their crops from the damaging effects of surface ozone. (Havana Radio Reloj Network in Spanish 1503 GMT 17 February 95)

Santiago de Cuba Province slowly increased production of tubers, grains and vegetables in 1994, when 1.2 million quintales were harvested, just surpassing the 1993 totals by 24,000 quintales. However, the production only fulfilled 50 percent of the annual goal, due to adverse weather conditions, shortages, and inadequate care of the crops. (Havana Radio Rebelde Network in Spanish 1800 GMT 17 February 95)

Cienfuegos Province coffee harvest is going well and could be completed by the end of February. So far, 90 percent of good quality coffee has been collected. (Havana Radio Rebelde Network in Spanish 1000 GMT 18 February 95)

Granma Province's goal is to produce 200,000 quintales of tomatoes in 1995. The preserve factory in Yara Municipality will process approximately 80,000 quintales, and is already selling tomato paste. Also, lands for other fruits such as guayaba and mango are being readied to plant. (Havana Radio Rebelde Network in Spanish 1000 GMT 18 February 95)

So far, over 1,600 caballerias have been granted in Camaguey mountain area, to 1,153 people who have cleaned them of weeds and planted them with coffee. There are another 2,600 land petitions pending. (Havana Radio Rebelde Network in Spanish 1800 GMT 18 February 95)

The Mininstry of Sugar Industry [Minaz] construction and assembly enterprises plan to earn up to 12 million pesos in 1995. The majority of these enterprises were profitable in 1994, recording earnings of 6 million pesos after showing a loss of over 14 million pesos in 1993. Minaz investment, which has grown substantially over the last few years, is directed at new equipment maintenance methods, worker productivity, labor organization, and the achieved positive financial results. A record 5,853 houses were completed in 1994, 1,000 more than 1993. (Havana Radio Reloj Network in Spanish 1506 GMT 20 February 95)

The Sugar Industry Ministry has announced that 23 anhydrous ammonia fertilizer plants will operate this year thanks to the increased availability of this chemical fertilizer. Over 23,000 tons of the product will be used this year to fertilize sugarcane fields following the harvest. The ministry is in the process of installing another 16 such plants nationwide. (Havana Radio Rebelde Network in Spanish 1000 GMT 21 February 95)

In Granma, 85 caballerias of land for tobacco farming have been granted in usufruct to 338 families. According to Hector Manso, provincial deputy director of agriculture, 60 more caballerias will be granted in 1995 and will be monitored to verify compliance with the program. Land grants will be revoked for non-compliance. (Havana Radio Rebelde Network in Spanish 1800 GMT 21 February 95)

State revenues planned in Villa Clara for 1995 exceed 141 billion pesos, 40 billion more than 1994. Revenues will be produced not only from increases in prices, elimination of gratuities, and taxes, but will also come from increased sales of new products and services, however, Villa Clara predicts a deficit of over 67 million pesos for 1995, as a result of increased expenses and lower earnings. (Havana Radio Reloj Network in Spanish 2047 GMT 23 February 95)

According to an announcement at the Havana provincial trade council meeting, more than 23 million pesos' worth of goods have been sold, and 87,000 quintales of tubers and vegetables have been brought to Havana farmers' markets since their opening in October 1994. (Havana Radio Rebelde Network in Spanish 0000 GMT 24 February 95)

Public health is a priority of the Cuban State, which spends an average of $900 on each patient in the nation's intensive care facilities equipped with the most modern technology. The average cost per bed is triple that of regular care facilities, and approximately 65 percent of serious cases currently survive. (Havana Radio Reloj Network in Spanish 1500 GMT 27 February 95)

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Salinas Issues Statement Withdrawing WTO Candidacy

PA0203014095 Mexico City Radio ACIR Network in Spanish 0000 GMT 2 Mar 95

["Text" of statement issued by former President Carlos Salinas de Gortari, regarding his decision to withdraw his candidacy to head the WTO, in Mexico City on 1 March; from the "Evening News Panorama" newscast—read by announcer]

[FBIS Translated Text] The WTO [World Trade Organization] is an institution that will change the world's trade relations. It has been agreed that the appointment of its new director general should be based on consensus, and this is necessary to enable such an important organization to emerge properly.

Given that it has become clear in recent months and weeks that the three candidates for this post have received support that truly reflects the configuration of three large trade regions, and in an effort to resolve this situation, I recently decided to withdraw my candidacy to head the organization's directorate.

Today I am doing this in a formal manner. I again stress that consensus is the way to resolve this situation. I thank the countries that have offered their support and encouragement.

Government Denies Motive Known in Massieu Slaying

PA0203024995 Mexico City NOTIMEX in Spanish 2138 GMT 1 Mar 95

[FBIS Translated Text] Mexico City, 1 Mar (NOTIMEX)—The Attorney General's Office today denied that the motive in the murder of Jose Francisco Ruiz Massieu, former secretary general of the Institutional Revolutionary Party (PRI), has been established.

In a communique, the office said the reasons behind the death of Ruiz Massieu, who was gunned down on 28 September, will be disclosed once the judicial process has concluded.

Raul Salinas de Gortari has yet to give his formal deposition. On Tuesday, Salinas was accused of being the co-mastermind of the murder, and he is now being held at the Almoloya de Juarez High Security Prison in Mexico State.

The clarification from the Attorney General's Office came after Special Prosecutor Pablo Chapa, the person in charge of the investigation, said this morning on a local radio station that the motive could have been that Ruiz Massieu was obstructing the Salinas administration's plans. The Attorney General's Office said there will not be sufficient evidence to draw any conclusion until after the Third District Court in Toluca summons Raul Salinas de Gortari to testify.

At this time, Raul Salinas de Gortari is giving his preliminary statement to Third District Judge Diogenez Cruz Figueroa at the Almoloya de Juarez High Security Prison.

Yesterday, Chapa said that following painstaking investigations by his office, it was possible to confirm that Raul Salinas is suspected of being the co-mastermind in the Ruiz Massieu murder. Former Deputy Manuel Munoz Rocha, who remains at large, is believed to be the other mastermind behind the Ruiz Massieu slaying. Following Salinas' arrest, there are now 14 people being held in connection with the death of the Mexican politician.

Zedillo Announces Import Tariffs for Certain Countries

PA0103171195 Mexico City XEW Television Network in Spanish 0430 GMT 1 Mar 95

[From the "24 Hours" newscast]

[FBIS Translated Text] Speaking during the opening of Canacintra's [National Association of Manufacturers] 54th General Assembly, President Ernesto Zedillo announced to the industrialists that Mexico will raise tariffs on products from countries with which Mexico has not signed free trade agreements. These products represent unfair competition for sectors like the garment, shoe, and leather goods industries.

[Begin Zedillo recording] With regard to those third countries, we will raise the tariffs on imports of those articles up to the maximum levels set by Mexico within World Trade Organization guidelines. [end recording]

President Zedillo explained that Mexico has the right to temporarily set quotas on the import of these products.

He also announced the creation of the National Council of Micro, Small, and Medium-Sized Businesses [Consejo Nacional de la Micro, Pequena y Mediana Empresa]. He said it will be a permanent forum for reaching agreements on policies to strengthen the development of these businesses.

He said that in order for Mexican firms to recover, monetary authorities must support the banking institutions.

[Begin Zedillo recording] Let it be clear. Mexican banks are solid institutions because the Bank of Mexico has all the instruments needed to fully back the liabilities of the banks. [end recording]

Canacintra President Victor Manuel Terrones called for a definite long-term economic policy. He said that in the face of Mexico's difficult situation, specific and effective measures must be applied against discouragement. In the face of doubt, he said, there must be firm and resolute work; in the face of confrontation, a willingness to hold dialogue; and in the face of the crisis, effort, perseverance, and unity, Terrones added.

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Private Sector Welcomes Announcement on Import Tariffs

PA0103172995 Mexico City NOTIMEX in Spanish 0120 GMT 1 Mar 95

[FBIS Translated Text] Mexico City, 28 Feb (NOTIMEX)—The private sector welcomed today the announcement by President Ernesto Zedillo that the government will increase tariffs to enable a fair and reciprocal treatment of those countries with which Mexico has no free trade agreement. Following the inauguration of the 54th Regular General Assembly of the National Association of Manufacturers (Canacintra), business leaders said that measure should only be one of the steps taken in helping the manufacturing sector.

Luis German Carcoba, president of the Business Coordinating Council (CCE), said that "we need to follow a new plan and to change the current economic agreement." Now is the time to prevent disloyal trade practices.

Fernando Cortina Legarreta, president of the Confederation of Industrial Chambers, remarked that this is a first step toward alleviating the situation of small companies and that of sectors that produce garments, textiles, shoes, and leather goods.

German Gonzalez Quintero, president of the Confederation of National Chambers of Commerce, noted that the measure is positive step and recommended that the domestic value-added tax (VAT) be reduced.

President Zedillo announced today that his government will take actions to promote micro, small and medium-sized businesses and will increase tariffs up to the maximum levels with those countries with which it has no free trade agreement.

Secofi Announces Plan To Protect Garment Industry

PA0103180295 Mexico City NOTIMEX in Spanish 0924 GMT 1 Mar 95

[FBIS Translated Text] Mexico City, 1 Mar (NOTIMEX)—Herminio Blanco, Mexican secretary for commerce and industrial development, has announced a development plan for the garment industry which will include protective tariffs and quotas within trade agreements with various countries. The official clarified that these measures will protect small and medium-sized garment businesses, in an effort to take advantage of the opportunities afforded by the free trade agreements.

Secofi's [Secretariat of Commerce and Industrial Development] secretary said that in line with instructions from the president, a temporary protection plan had been designed for countries with which there are existing trade agreements and that respect the commitments contained in these agreements. The measures include, according to Blanco Mendoza, increases in tariffs up to a level compatible with the country's agreements with the World Trade Organization (WTO), which sets limits at 35 percent.

He added that the Mexican delegation to the WTO has notified that organization of Mexico's interest in retaining its right to apply safeguards within the framework of the Multifiber Agreement.

Blanco Mendoza explained that goals and commitments will be established through development plans for the garment industry and that quotas will be set through bilateral negotiations with Mexico's trading partners. In offering this protection to Mexico's garment industry, protection is also being afforded to the entire textile and fiber chain in order to properly supply domestic and export markets, the secretary concluded.

Finance Secretary Explains U.S. Aid Package

PA0203035095 Mexico City Radio ACIR Network in Spanish 0000 GMT 2 Mar 95

[From the "Evening News Panorama" newscast]

[FBIS Translated Text] Guillermo Ortiz Martinez, the secretary of finance and public credit, today appeared before members of the congressional Finance Commissions to explain the conditions under which the agreement to receive as much as $20 billion in aid was reached with the United States. Ortiz apparently took advantage of the opportunity to criticize the statement made by former President Carlos Salinas de Gortari. Alma Rosa Baez was at the Chamber of Deputies.

[Baez] The devaluation of the Mexican peso on 20 December 1994 cannot be remedied, but it could have been avoided earlier in the year if corrective measures had been implemented to halt the growth in the current accounts deficit. This is the position that Finance Secretary Guillermo Ortiz maintained today.

[Begin Ortiz recording] Regarding the statement made by Carlos Salinas on whether or not logistical mistakes were made in the December devaluation, I believe Mr. Salinas was referring to foreign press commentators who had given their interpretations on whether mistakes had been made in the logistics—that is, in the manner in which the December devaluation was implemented. I believe the federal government has not commented on interpretations by foreign commentators.

I believe the devaluation was inevitable following the decline in international reserves. Could this have been avoided last year if other types of measures had been implemented? In terms of Monday morning quarterbacking, as one would say, and considering the gravity of the political events and the shrinking of resources available for emerging economies, including Mexico, I believe that, yes, if we had been able to curb the growth of the current accounts deficit, the problem would have been smaller. [end recording]

Appearing before the Finance Commissions of the two chambers of Congress, Ortiz said that, if in the past administration the Bank of Mexico had taken steps to halt the crisis, at this time the crisis would not be so serious.

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Among the measures that were indeed taken, Ortiz said, the exchange rate was devalued within the floating range agreed upon in the pact; instruments were issued that halted capital flight; and interest rates were increased. Ortiz admitted that, up until a few months ago, no one believed that if we had to go so far as to sacrifice the exchange rate system it would mollify a problem whose dimensions would be far greater than anyone could imagine.

Speaking to deputies and senators, Guillermo Ortiz said we have to depend more on our own resources, because, although some foreign investments have been beneficial because they were used for capital projects, for the most part foreign investments have been speculative and short-term. After explaining the conditions under which Mexico accepted $20 billion in financial aid from the United States, Ortiz reiterated that there were no political conditions.

[Begin Ortiz recording] I would like to be very emphatic on this point: All of the documents on the negotiations have been distributed, and there is no agreement—formal, informal, verbal, or implied—that is not included in these documents. [end recording]

[Baez] Ortiz admitted that it is not enough to resolve the country's financial problems without establishing the foundations of an economic policy that will reactivate small and medium-sized businesses and promote the creation of jobs. Consequently, he said, when the financial agreements are being analyzed, it should be kept in mind that there are no practical alternatives to obtain other sources of financing, much less for the amounts the Mexican economy requires at this time.

In the meeting, which was held in the Green Room of the San Lazaro Legislative Palace, Ortiz said that, if the package of financial agreements is not approved, Mexico's only alternative will be to suspend payments on the public debt, which will have immediate repercussions on the banking debt, as well as the overall private debt.

During four rounds of questions from legislators from the four legislative blocs, the lawmakers voiced reservations regarding the benefits of the U.S. aid. This led Ortiz to reiterate several times that there is no alternative: Either the U.S. loan is accepted, or Mexico will have to declare a moratorium—a situation the country has never resorted to in its history—and this is why the first option was chosen.

This sums up Guillermo Ortiz's appearance before Congress, which lasted nearly six hours in the Chamber of Deputies.

[Announcer] Well, that was certainly a lengthy appearance. What was the reaction of the legislators after they heard what Ortiz had to say?

[Baez] The legislators, especially the opposition legislators, said they were not quite satisfied and that Ortiz had reiterated what everyone already knew. He simply reviewed the mechanisms that were going to be used and how much this loan was going to cost Mexico, but in effect there was nothing new in Mr. Ortiz's explanations. The legislators said they are going to scrutinize the documents very closely, and they added that they will openly express their doubts. For example, they said they do not understand why it is being repeatedly claimed that this does not represent more indebtedness for the country. They added that, if this indeed does not represent more indebtedness, then Mexico could have waited to obtain liquidity to pay its short-term debts and there would have been no need to turn to the United States.

The opposition deputies also asked Ortiz for the original documents that were signed in Washington, because one of the PRD [Party of the Democratic Revolution] deputies said that many times they are given copies and that, legally, copies are invalid unless they are certified.

Government Informs Congress in Loan Approval Process

PA0103190895 Mexico City NOTIMEX in Spanish 2255 GMT 28 Feb 95

[FBIS Translated Text] Mexico City, 28 Feb (NOTIMEX)—The Mexican Government will carry out privatization and concessions operations that will yield approximately $6 billion in 1995 and between $6 billion and $8 billion more in the next two years.

The Presidency of the Republic has sent the Congress' Permanent Commission a note explaining that this is an offer that the government made to the IMF in a letter of intent signed last January. The documents accompanying the note are part of the information that the Congress requires in approving loans to be obtained abroad.

The documents forwarded to the Permanent Commission are called: "Framework Agreement for Stabilization of the Mexican Economy," "Agreement on the Oil Revenue Scheme," "Agreement for Medium-Term Exchange Stabilization," and "Agreement for the Issuance of Collateral for Securities."

The letter of intent signed with IMF director Michel Camdessus was also sent to the commission. The letter advises that, after the economic strategy planned for this year has been implemented and the economy has stabilized, "the country's GNP will reach 4 percent in 1996." The letter also says that in order to strengthen the basis for this recovery and lower the annual deficit to a one-digit figure, the government and the Bank of Mexico will continue to follow cautious financial policies, including striving for a fiscal surplus in 1996. Prominent in this strategy are additional 7 and 3 percent increases in the minimum wage and public sector salaries through a fiscal bonus, realistic prices and tariffs in the public sector, and efforts to stabilize the currency's purchasing power.

The document "Framework Agreement Between Mexico and United States for Stabilization of the Mexican Economy" states that the document's purpose is to help Mexico stabilize its exchange and financial markets through loans

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to facilitate amortization, refinancing, or restructuring of Mexico's short-term obligations. The document points out that Mexico has made available to the U.S. Treasury a copy of the country's comprehensive and detailed financial plan, which includes the intended purpose of the resources obtained. The letter also says that Mexico plans to update its financial plan at least once a year during the time that the primary resources are pending for amortization and that Mexico will advise the U.S. Treasury in writing of any intent to change the plan.

The paragraph on specific terms stipulates that Mexico or the Bank of Mexico will not be supplied with primary resources "if the U.S. Treasury determines that the economic policies of Mexico or the Bank of Mexico disagree with the Letter of Intent and the Memorandum on Economic Policy related to the contingent credit approved by the IMF on 1 February 1995."

The document further states that no resources will be supplied "if the U.S. Treasury determines that Mexico or the Bank of Mexico have taken actions substantially inconsistent with the financial plan, if the plan is substantially inconsistent with prevailing conditions, if the intended use of the resources is inconsistent with Mexico's financial plan, if the U.S. Treasury disagrees with any of the substantial changes that Mexico made to its plan, or if Mexico has substantially failed to meet its obligations."

The Agreement on the Oil Revenue Scheme describes the letter of intent in which Mexico agrees to use oil revenue to amortize this kind of loan, and states that this measure will continue to apply until all obligations have been met.

The Agreement for Medium-Term Exchange Stabilization describes the U.S. Treasury's pledge regarding the use of dollars purchased by Mexico and use of Mexican dollars bought by the Treasury.

The Guarantees Agreement, dated 21 February this year, describes commitments, commissions, the withdrawal and use of income, amortization of obligations, charges for overdue payments, and amortization and withdrawal of collateral, among other items.

The Permanent Commission also received Annex B, which deals with making available to the public the statistical reports of the federal government and the Bank of Mexico every week starting in March.

Finance Secretary: Economic Stability Possible

PA0103224895 Mexico City NOTIMEX in Spanish 2033 GMT 1 Mar 95

[FBIS Translated Text] Mexico City, 1 Mar (NOTIMEX)—Finance Secretary Guillermo Ortiz said today that Mexico's financial situation will become stable once the economic program's modifications are known and following the current consultations with production groups.

He said: "Pressures on the exchange market will decrease as a result of the ample availability of resources from abroad and, interest rates should begin—we hope in a short time—a firm descent."

The official addressed Mexican legislators and explained that the exchange market will become stable once the modifications in President Ernesto Zedillo's economic program are announced.

Ortiz Martinez said: "Beyond illusions and false solutions about economic issues, the government has acted with responsibility while investors have exaggerated and shown that they do not know that our economy is sound."

In a meeting with congress' Finance Committee, the secretary said that the government's responsibility compelled it to "meditate and see beyond the illusion of the immediate welfare that a moratorium may create the way to better protect sovereignty."

This analysis is contrary to "false solutions that will only prolong our instability, weaken our economy, and eventually leave us in a very vulnerable situation," the official added.

The finance secretary addressed 50 deputies and senators and said: "We must bear in mind the high level of integration our economy has reached."

This integration has been reached "both in the commercial and financial sector, but it would take a turn for the worse with the perverse effects of a moratorium or any other measure that implies our isolation."

Hence, the financial package negotiated with the United States is only part of a great effort that "will have to be exerted in the future to turn back the deterioration process that began so abruptly at year's end."

Ortiz Martinez emphasized that "what Mexicans achieved in recent years has in no way been lost" despite this financial deterioration.

He emphasized that, although the difficult situation does not let anyone clearly see this, the country's development possibilities nowadays will allow a noticeable economic recovery that will result in higher levels of welfare.

The official denied that the $20-billion bailout granted by the United States involves pledges other than the strictly financial ones.

"There are no other agreements or pledges, except the ones I present today; there are no political conditions; and the bilateral agenda includes strictly financial issues" in the $20-billion credit, he added.

"Throughout the negotiations we made sure that the rights stipulated in favor of the United States were the ones that strictly corresponded to a creditor, without granting it the right to interfere in the drafting or implementation of our policies," Ortiz Martinez said.

Savings Protection Fund Channels $1.8 Billion To Banks

PA0103180195 Mexico City NOTIMEX in Spanish 0849 GMT 1 Mar 95

[FBIS Translated Text] Mexico City, 1 Mar (NOTIMEX)—So far this year, the Savings Protection

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Banking Fund (Fobaproa) has channeled $1.8 billion to capitalize banks affected by the devaluation of the Mexican peso that occurred in December 1994.

Eduardo Fernandez, president of the National Banking Commission (CNB), invited those banks with financial problems to join Fobaproa's Temporary Capitalization Plan (Procapte), which will be effective for five years as of 31 March 1995. Fernandez said that no bank will go bankrupt because it will have Fobaproa's support. He explained that those institutions that subscribe to the plan should maintain a capitalization ratio of at least 9 percent. Fernandez noted that this ratio will only be allowed to drop to 8.5 percent whenever creation of preventive reserves is at issue.

Procapte, he explained, is an "issue of secondary obligations, compulsorily convertible into shares in the pertaining institution. Fobaproa will then purchase those shares with financing received from the Bank of Mexico." The resources that banks obtain through the plan will be deposited in the Central Bank to prevent an increase in the money supply, he said. Procapte, he explained, is designed to give participating banks a reasonable period in which to place their capital instruments on the market and thus enable them to pay for the assistance received.

Fernandez stressed that the current economic situation in Mexico has caused serious problems in the recovery of banks' credit portfolios. As a result, it is necessary for banks to create additional reserves. Due to the circumstances previously mentioned, the CNB decided on 22 February that the reserves to cover credit risks should be equivalent to at least 60 percent of the overdue portfolio or 4 percent of the total portfolio. To this effect, Fernandez emphasized that according to data on last December's events, additional reserves in the amount of 4.4 billion new pesos should be created. This would entail a drop in average capitalization from 9.1 percent to 8.4 percent.

Banxico Chief Defends Economic Policies in Wake of Crisis

PA0203032195 Mexico City Radio ACIR Network in Spanish 0000 GMT 2 Mar 95

[Report by Juan Carlos Escobedo; from the "Evening News Panorama" newscast]

[FBIS Translated Text] Bank of Mexico [Banxico] Governor Miguel Mancera Aguayo, who seldom speaks publicly, today stressed that Mexico's current economic problems are not reason enough to change the nation's economic model, adding that former President Carlos Salinas de Gortari must explain the mistakes he claims were made by the current administration, because hindsight is always 20-20. After saying this, Miguel Mancera Aguayo admitted that political problems continue to create uncertainty in the country.

During a meeting with legislators who comprise the Chamber of Deputies Credit Institutions Committee, the Banxico governor outlined the new plan to standardize investments, which was welcomed by the legislators. Later, he answered reporters' questions. He admitted that the turbulent political atmosphere is not helping the country's economic stabilization.

Referring to the latest incidents in the Ruiz Massieu case, he said that capital flight occurs when confidence is undermined, and therefore the devaluation was unavoidable. However, in his opinion, these problems are not reason enough to alter the country's economic model.

Miguel Mancera abandoned his trademark of solemn reticence. Wearing his large eyeglasses and displaying a nervous smile, he answered a question concerning former President Carlos Salinas' claim that mistakes were made by the current administration in December.

Although he tried to avoid a direct answer, he finally said the following:

[Begin Mancera recording] Frankly, I think we will have to hear Dr. Salinas' explanation. I believe things were done as best as possible. You can always say things should have been done in an even better way. Well, hindsight is always 20-20. It is easy to say how things should have been done. I believe that, unfortunately, things happened very quickly, and it was virtually impossible to prepare a program or to react to the situation in the best way possible. It is easy to criticize when it is all over, right? [end recording]

Referring to his share of the responsibility in the crisis, Mancera said he has tried to do his best as head of Banxico.

[Begin Mancera recording] Other problems followed, and they were overwhelming. Nothing could be done to stop the onslaught. Concerning the other question you asked, the only thing I can say is that I am not the person who should judge whether or not I did things the right way. The only thing I can tell you is that I did them as best as I could, or perhaps [words indistinct] intentions. [end recording]

He reasserted that, in his opinion, there were no economic mistakes in one administration or the other. Instead, political circumstances unleashed the economic crisis.

[Begin Mancera recording] Frankly, I do not think there were economic mistakes, either by the former or the current administration. Instead, I think a series of unfortunate political circumstances occurred, and they undermined people's confidence and prompted the devaluation. I believe the foreign exchange policy was the most appropriate one under the circumstances. [end recording]

Explains Investment Units

PA0103165495 Mexico City XEW Television Network in Spanish 0430 GMT 1 Mar 95

[Interview with Miguel Macera, governor of the Bank of Mexico, by Jacobo Zabludovsky in Mexico City; from the "24 Hours" newscast—live]

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[FBIS Translated Text] [Zabludovsky] Mr. Mancera, in the interview granted this afternoon, you spoke about investment units. Would you briefly explain this to us?

[Mancera] Of course, Jacobo. Investment units are account units that will be adopted by our banking system if Congress approves the bill that will be submitted by the president of the Republic in the next few days. The president has authorized me to release this information. These investment units are used to avoid or eliminate certain problems for banking operations caused by inflation, including passive operations like deposits and active operations like loans.

Inflation creates serious problems for deposits because depositors do not know for certain what the real yield of their investment will be when it finally matures. Why this uncertainty? Because one of inflation's most serious problems is not just that prices increase, but that they do so at a pace that cannot be accurately projected, month by month. As a result, an investor might make an investment, a bank deposit, for instance, hoping that the agreed upon interest rate will be higher than the future inflation rate, but things might not turn out that way; the inflation rate might exceed the interest rate. In this case, the investor would suffer a loss.

The opposite could also happen. The actual inflation rate might be lower than the projected rate. In this case, the investor would earn more profit than expected. This uncertainty is very inconvenient because, logically, investors are never aware of how much they will earn or lose in real terms—not counting inflation—from their investment.

These investment units can be adopted to prevent this problem. The value of these investment units is adjusted every day so that the purchasing power of the deposits—in the form of investment units—remains fixed through time. Then, if depositors make their deposits in investment units, they can rest assured that inflation will not erode the real value of the deposit. Thus, once the deposit matures, investors would recover an amount that, in terms of purchasing power, is equal to the amount deposited plus the interest earned.

[Zabludovsky] Mr. Mancera, how does the Savings Protection Banking Fund [Fobaproa] work?

[Mancera] Fobaproa is an entity with several plans, two of which are now being implemented. One of these plans is to grant foreign currency credits to support those banks that, due to the current situation, are in some cases unable to replenish their foreign currency deposits. In order for the banks to pay these deposits on time and without any problems whatsoever, Fobaproa grants them foreign currency credits, thus ensuring that depositors will not have any problem collecting the face value of their deposits when they mature. This is one plan.

The other plan has to do with the assets that credit institutions—that is, banks—must retain. Banks operate under special regulations because they manage people's savings. This is why, according to the law, banks must retain a minimum level of assets in relation to their proposed volume of risk operations.

There are situations that prevent banks from retaining the aforementioned assets, and not necessarily because they were mismanaged or illegally controlled. Some well-managed banks sometimes cannot meet requirements for assets because of market conditions like the ones we have now. Then Fobaproa supports these banks to help them retain the required assets through the registration of subordinated liabilities that could be converted into shares, which in Mexico, as is the case anywhere else, are part of the banks' assets. This is very important for the banks' clients, the depositors, who can then be absolutely sure that because banks have the required assets, they will continue to be completely solvent and will be prepared to meet, as they always have, their obligations to the depositors.

[Zabludovsky] Mr. Mancera, how long will banks take to peg the peso exchange rate to the dollar?

[Mancera] This issue has yet to be resolved. This is not a decision that the Bank of Mexico [Banxico] itself can make. This is a decision that the Exchange Commission must make, as stipulated in Banxico's bylaws. The finance secretary, two finance under secretaries, Banxico's governor, and two Banxico deputy governors comprise this commission. The Exchange Commission has yet to make a decision on this.

[Zabludovsky] Why is the dollar above six pesos today, Mr. Mancera?

[Mancera] Well, today ended with the dollar being quoted at six pesos for wholesale operations. Obviously, there has been a certain level of anxiety for the last few weeks, which has resulted in the dollar being quoted above levels where it should really be in accordance with certain basic economic factors.

[Zabludovsky] What's your vision of Mexico's financial future for the next few months?

[Mancera] I believe things will get back to normal. I believe the measures we have taken and the measures we will probably take in the future will help things get back to normal and ensure that we Mexicans will be able to overcome these difficult times we have lived through.

[Zabludovsky] Thank you very much, Mr. Mancera.

Views Foreign Exchange Futures Market

PA0103172595 Mexico City NOTIMEX in Spanish 0922 GMT 1 Mar 95

[FBIS Translated Text] Mexico City, 1 Mar (NOTIMEX)—Miguel Mancera Aguayo, governor of the Bank of Mexico (Banxico), has announced that a foreign exchange futures market will begin operating within the next few weeks in an effort to attenuate exchange risks and

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stabilize the economy. Speaking at a news conference, the Banxico chief added that once Congress approves the foreign exchange futures market, a savings instrument called an investment unit (UDI) will also begin to be used on a permanent basis. Mancera affirmed that these measures will stabilize financial markets and will guarantee that depositors and other bank creditors, "who are acting in good faith, will not suffer losses as they invest in credit institutions." He pointed out that the foreign exchange futures market will help lower the risks associated with the exchange rate for those who conduct transactions in Mexico that require the use of foreign currency. The Banxico official stressed that the UDI's and the futures market "are measures that could be implemented indefinitely, even when the economy stabilizes," because they protect depositors from any eventuality.

In discussing the increase in interest rates, Mancera emphasized that "a central bank cannot whimsically impose just any increase without exposing itself to serious consequences" and that the only thing that can be done, when circumstances allow, is to "alleviate" fluctuations.

He explained the objectives and operating mechanisms of the UDI's and the foreign exchange futures market, maintaining that the UDI is an account unit, not a currency, that has a real and constant value. Credits, deposits, and other financial operations would be conducted in UDI's. This is why when an investment is made, the investor would render it in new pesos. Mancera also explained that payment of principal and interest upon maturity would be made in legal tender currency. The amount of these payments would be estimated according to the UDI in effect at the time of the payments, while the investments would retain their real value and would not be eroded by inflation.

Addressing the issue of the foreign exchange futures market, the Banxico official maintained that only qualified banks—those with the requisite technical capacity and solvency—will be authorized to conduct this kind of operation. Mancera added that it will be a few months before the foreign exchange futures market begins operations and before its operations would be quoted on the Mexican Securities Market, but that the country's banks would be authorized to make transactions on the Chicago Stock Exchange. This would thus in effect reopen the peso futures market.

CNB To Implement Temporary Capitalization Program

PA2502040795 Mexico City EL FINANCIERO in Spanish 21 Feb 95 p 8

[Report by Georgina Howard]

[FBIS Translated Text] The National Banking Commission [CNB] will implement the Temporary Capitalization Program [Programa de Capitalizacion Temporal], Procate, to support credit institutions that have been adversely affected by the economic crisis. The new system, which is separate from Fobaproa [Savings Protection Banking Fund], will establish a timeframe of up to five years for redeeming the "L" series shares that banks will use as collateral to borrow needed resources.

In addition, it was agreed that the preventive reserves for expired loans will be increased to 75 percent for ordinary loans and to 30 percent for mortgage loans. In other words, the increase in reserves will depend on the risk of each one of the credits the banks will grant.

During the meeting held by private bank officials and authorities of the CNB, headed by Eduardo Fernandez, it was said that the resources for this program will come from Fobaproa itself, which is a trust fund set up by the Bank of Mexico [Banxico].

According to some bankers, this situation could mean the return of a "silent nationalization," because the institutions that use Procate funds to resolve their capitalization problems and fail to redeem their shares within five years could again have the government as one of their shareholders.

Meanwhile, members of the Mexican Association of Bankers warned that the fail-safe measures the U.S. Government imposed on Mexico to grant it $20 billion, which already translated into a 10-percent hike in interest rates, "could force a large number of banks to go bankrupt or become insolvent."

They also warned that this interest rate hike would "swell" the number of expired portfolios, because fluctuating rates will skyrocket, thus making national credit institutions "more dependent" on the Procate. They will require a larger amount of resources as time goes by and will have to pledge their shares as collateral, which could translate into "a silent nationalization" or the return of the government as one of their shareholder "again" for certain credit institutions, because the Procate depends on the Fobaproa, which is a trust fund established by Banxico.

During the meeting of bankers and CNB members, to which the media had no access, it was explained that the trust fund needed for the creation of the Procate will be available only to those institutions with capitalization problems. Credit institutions that need resources will also have access to Procate, based upon the established criteria. The Fobaproa will continue to support those banks that have problems.

The representatives of the privatized banks, who will meet tonight with Banxico Governor Miguel Mancera Aguayo to learn the scope of pegging interest rates to inflationary levels, insisted that this measure will prompt an uncontrollable growth in the number of expired portfolios and could even force many banks to go bankrupt.

Banks Request Increase in Risk Provision

PA2502023895 Mexico City EL FINANCIERO in Spanish 20 Feb 95 p 8

[Article by Rosa Elba Arroyo]

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[FBIS Translated Text] In light of the situation of the Mexican banking system, and just when the Mexican Association of Bankers (ABM) is negotiating new relief formulas with the National Bank of Mexico, officials in the sector acknowledge the need to increase the risk provision average from 40 to 60 percent.

In the face of the bankruptcy fears enveloping the financial system, the measure could be implemented soon to strengthen the system and avoid a wave of bankruptcies, which could intensify the country's financial crisis.

According to international banking specialist consultants Booz-Allen & Hamilton of Mexico, the average reserve for the overdue loan portfolio is approximately 35 percent, which is less than the 1993 level of 42.3 percent.

The measure would imply virtually doubling the current average national bank reserves for the overdue portfolio, which, according to financial experts consulted by EL FINANCIERO, would be more harmful than beneficial.

Rafael Bello, an expert on the Mexican banking system for Morgan Stanley brokers, said: "It would be very painful to bankers, because if you increase reserves you affect profits and capitalization levels." However, he agreed that Mexican banks need to increase their reserves.

Burdened by the weight of their overdue loan portfolios, threatened by the country's financial crisis, and afraid to appeal to the Savings Protection Bank Fund (Fobaproa) for fear of "presenting the wrong image," the Mexican banking system has in recent months been the victim of high interest rates, which has caused clients to stop paying.

"Banks' overdue loan portfolios are, in some cases, doubling every month," banking specialists said. The specialists acknowledged that "a number of banks are facing technical bankruptcy."

Although these banks have not been identified, it is known that only two or three banks in the banking system are currently strong, and Booz-Allen has identified Banorte and the National Bank of Mexico (Banamex) as being among them.

"However, on Friday Banamex was included on the famous list of "Special Revision With Negative Implications" of the qualifying company Standard & Poor. Banamex's inclusion in this category means it will be carefully monitored by the agency's experts and that its short-term prospects are negative.

What is certain is that in light of this situation, the adopted measures seem insufficient. Many analysts in the sector say that many banks have fallen below 8 percent in their capitalization levels: "The level of capitalization of some banks is between 7 and 8 percent, while the overdue loan portfolios threaten to reach 15 percent."

Based on information from REUTERS, Bancomer [Bank of Commerce] recognized before various analysts that its capitalization range by the end of January was 8.47 percent; in other words, almost 1 percent below the level registered at the end of 1994, which was 9.11 percent.

"In view of the weak peso, it is possible that Bancomer's capitalization is now close to 8 percent, at the same level as Banca Serfin."

Rumors that Serfin was facing difficulties last Thursday sparked fears among investors and other groups in the sector. On the same day, the Banking Fund recommended the issuance of notes convertible into shares of the "A" series due in three years. The bankers rejected the proposal on the grounds that they could lose control over the institution.

The ABM reacted by saying that three years was a very short term and that they required five years, in addition to issuing shares without voting rights.

The news that Fobaproa had purchased the shares of Banca Cremi-Union prompted more anxiety over possible bankruptcies among banks.

According to Fernando Ortega, a Booz-Allen expert, in addition to the alternative presented by Fobaproa for banks facing problems, the solution lies in administrative aspects, especially information.

"On one side, it is necessary to eliminate administrative vices in the system; on the other, there is an urgent need to adapt to international regulations that prevent the Mexican banking system from being totally clear." Ortega noted.

In that regard, a recent study conducted by the evaluating agency Moody's stated that "Mexican supervision reports and accounting principles are not totally clear-cut."

According to Moody's, it is not possible to compare the quality indicators of assets evaluated according to Mexican financial reports with those evaluated according to figures in U.S financial reports.

In that manner, Moody's—characterized by its conservative stance toward Mexico—noted that regulations on provisions are based on the handling of the evaluation of overdue portfolios:

"Each risk must be evaluated according to specific criteria in order to handle it appropriately. That means that criteria based on economic conditions in the market which affect the creditor leave broad margins for interpretation."

Moody's agrees with Booz-Allen's position: "Banks are not exempt from classifying their loans to the government or other public institutions, or debt considered type "A" (minimum risk), which could include overdue credits."

Booz-Allen mentioned other alternatives: Ensuring that funds obtained as financial support are adequately used; seeking directors among highly qualified professionals; and, above all, handling risks efficiently.

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The figures are self-explanatory. In 1993, while a total of 50 U.S. banks showed reserves on overdue portfolios representing 209.7 percent, Mexico's reserves that same year were 42.30 percent. This means that the difference in U.S. reserves was almost five times greater than that of Mexican banks.

The average operational income of the 50 U.S. banks was 6.03 percent, while for Mexican banks it was 8.75 percent, and at present it could be around 11 percent.

At that time the operational expenses of U.S. banks—according to figures from consulting agencies—were 3.75 percent, while in Mexico, they were 5.81 percent. Even Spain's strongest bank, Bankinter, showed a level of 1.75 percent in that area.

Official Announces Plans To Revamp Procampo

PA2702214695 Mexico City LA JORNADA in Spanish 23 Feb 95 p 48

[Report by Matilde Perez]

[FBIS Translated Text] The Program of Direct Support to the Countryside [Procampo] will be revamped, Francisco Labastida Ochoa, secretary of agriculture, livestock, and rural development, has stated. He added that besides tailoring the program to each product and region, it will be companioned with a technological package.

Procampo, he stressed, will not be eliminated. It will be reinforced with technological programs for needy regions. "We are not trying to replace what is being done but rather to complement the assistance program with actions that will influence the increased production and productivity, with participation by all farmers."

In unveiling the general guidelines of what the agricultural and livestock policy will be, Labastida Ochoa said that the policy on grain prices will be completely overhauled, and the redistribution and fusion of the food industry with production will be boosted to avoid "grain tourism [el turismo de los granos]."

The price structure will be reviewed to adjust it to the productive characteristics of soils and climates so as not to promote cultivation of a single crop but rather to open opportunities to people in the countryside, he added.

The short-term strategy will target easing current problems and taking advantage of the opportunities that the new exchange rate for the peso provides. "We will promote as much as possible the cultivation of products for export, like vegetables, fruits, coffee, cotton, and the like, that generate more foreign currency and employment in the countryside. In the medium and long term, the agricultural and livestock sectors will again be profitable through the employment of means that raise productivity, which influence the establishment of prices and the cost of raw materials."

During the celebration of Agronomists Day, the head of the Agriculture, Livestock, and Rural Development Secretariat [SAGDR] insisted that this is the best time to begin "a profound overhaul of what we have done, since the crisis helps define and assess the strategies that have been implemented so far." He announced that the overhaul includes changes in the financing system, assistance to research centers, and the process of federalizing the SAGDR so that the state governments and farmers may make timely decisions on their problems.

At the conclusion of the meeting with close to 13,000 local agronomists, Labastida Ochoa stated that, following several meetings with Secofi's [Commerce and Industrial Development Secretariat] Public Prices Commission and Pemex [Mexican Petroleum], the price of ammonia will be announced soon. When asked directly if there will be a 25 percent reduction, he replied: "That is what we are still reviewing, but we have made much progress."

Later, Julia Carabias, secretary of the environment, natural resources and fisheries, said that the challenges agricultural and livestock production is facing include recovering basins and soils and taking overall advantage of natural resources. She stated that in Mexico a large potential of species is wasted, "making us lose markets."

During the meeting, the president of the National Agronomist Confederation [item ends]

Businessmen Said in Danger of Losing Industries

PA2502201695 Mexico City Radio ACIR Network in Spanish 0000 GMT 24 Feb 95

[Report by Alma Rosa Baez from the "Evening News Panorama" newscast]

[FBIS Translated Text] The current financial situation, triggered by an untold number of factors, is forcing businessmen to file for bankruptcy at the Finance Secretariat. Raimundo Artiz Esprieu, president of the National Processing Industrialists Association, ANIT, has said at a news conference at least 30 percent of the micro and small businessmen in the country are in danger of closing their industries. Let us listen to him:

[Begin Artiz Esprieu recording] Our theses clearly indicate we are at a point of convergence. We have to take one of two roads: Either we take the path of giving our small- and medium-size firms real and immediate support in all the necessary areas, or we help them close down. Because, if, in addition to not helping them, we do not help them close down, the social trauma will be much harsher and more painful. [end recording]

The ANIT leader has urged authorities to help the small businessmen or modify the Bankruptcy Law so businessmen and workers do not have to confront greater traumas. He has said that although the Finance Secretariat has not expedited the fiscal improvements, it should, at this time, allow simple agreements to be established to dispense the fiscal obligations once firms conclude their closures.

Raimundo Artiz Esprieu has said that the recent economic measures only help the big capitals and banks and that they

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do not protect the micro and small businessmen, who employ at least 60 percent of the economically active population.

PAN Proposes Solutions To Economic Crisis

PA2502015495 Mexico City EL FINANCIERO in Spanish 20 Feb 95 p 81

[FBIS Translated Text] The National Action Party [PAN] legislative wing, in light of the circumstances in our country, has made a serious analysis of the economic situation. It believes that any proposal for a solution must pursue justice and equity in their broadest sense and with the awareness that the adjustment necessitated by the crisis must not fall on the have-nots.

The solutions presented are aimed primarily at promoting growth, which will result in greater opportunities for employment and improved salaries.

This plan cannot discard the policy of diminishing inflation, but considering the real circumstances of the economy, it should not seek, at any social cost, the implementation of recession-like measures that would harm not only the population but also the production sector. Today that sector requires support to survive and in so doing preserve millions of jobs.

Therefore, and to provide viable solutions, the PAN presents proposals on various aspects described below.

Tax Policy

It must be aimed at strengthening opportunities for companies to function, protecting employment, and improving the purchasing power of salaries through:

1.1 **Reducing the across-the-board VAT [value-added tax] to 7 percent**, keeping goods and services with the zero VAT percentage rate unchanged.

1.2 **Preparing a single table for the Product Tax rates**, and indexing it to avoid real tax increases resulting from inflationary factors. This will be done through a gradual adjustment and by maintaining income of up to three minimum wages intact.

1.3 **Considering school tuition expenses as tax deductible** for individuals for up to one minimum wage per child annually.

1.4 **Repealing the Law on Enterprise Asset Tax.**

1.5 **A new ISR [expansion unknown] table for corporations** must be drafted to distribute the fiscal burden more equitably among micro, small, and intermediate businesses.

In order to reactivate specific sectors of the economy, we propose the authorization of deductions with a preestablished limit for consumption in restaurants and vehicle use.

1.6 Asking **state and municipal governments not to increase taxes** and fees during 1995, nor to create new taxes. Every effort must be made to grant state and municipalities greater participation in the framework of an authentic federalism. Transferring resources from Section 26 (Pronasol) [National Solidarity Program] of the Federal Budget to municipalities and states to boost the economy in the various regions of the country.

1.7 Approval of a **fiscal salvation plan** allowing companies with fiscal debts at the close of the 1994 fiscal year that may jeopardize their survival to pay taxes without surcharges, fines, or late fees in 1996, 1997, and 1998, in accordance with their own cash flows, provided they decide to take advantage of this plan.

1.8 **Suspend coercive embargo actions and property removal from businesses** for fiscal debts, IMSS [Mexican Social Security Institute], Infonavit [Institute of the National Fund for Workers Housing] payments, and so forth, and allow the firms to operate properly to cover what they owe.

1.9 To ease the opening of new businesses, immediately **establish a simplified basic procedure with the Finance Secretariat** to begin operations and allow these businesses to complete the remaining requirements in six months.

Federal Government

Actions that should be aimed at achieving greater government efficiency, significant reductions in current expenditures, and simplified administration, in view of the fact that the authorized budget has grown and no sacrifices have been make to account for the current crisis.

2.1 **Significant budget cutbacks in current expenditures** should be made in various branches, basically under the item called other current expenses, which, according to the 1995 budget, represents 30.5 percent of the total current expenditure, an allotment that also appears under personal services, materials, and general services. Consequently, **no cutbacks should be made to capital expenditures; in other words, to actual investments.**

2.2 **No additional personnel to be hired by the centralized public administration**, because the budget includes 19,736 new jobs, which today more than ever cannot be justified.

2.3 Immediately carry out other **public sector reductions** and consequently **expenditures** by **eliminating the Comptroller General and Administrative Modernization Secretariat** because they duplicate the work of the Finance Secretariat Accountancy [Contaduria Mayor de Hacienda].

Likewise, **merge the Agrarian Reform Secretariat** with the Agriculture, Livestock, and Rural Development Secretariat since the goals of the Agrarian Reforms Secretariat have practically been accomplished.

The **Energy Secretariat** is in similar circumstances as its functions are very limited and can be **incorporated into the Commerce and Industrial Development Secretariat.**

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Review structures in the delegations of the various state secretariats to prevent the duplicated efforts.

2.4 **Merge the Central Light and Power Company with the Federal Electricity Commission** so the latter reorganizes the former for efficiency, thus saving 2.299 billion new pesos that the government will transfer to it in 1995 to solve its operational deficit. **Alternatively, close it down in 1995.**

2.5 **Restructure IMSS operational procedures** to immediately conduct a study to **establish a limit to its administrative expenditures** expressed as a percentage of its income, a procedure which it is hoped can be instituted in similar organizations such as Infonavit.

At the same time, completely restructure the IMSS personnel system, which is excessive according to statistics and suffers from chronic absenteeism.

The IMSS must also farm out and extensively contract work such as laundry, food, stores, and so forth, which are not connected to its main task of providing health services.

2.6 **That the government reconsider its policies on prices and tariffs and good and services of public enterprises (electricity, gas, fuel, and so forth)**, because it is unfair that these monopolies immediately make adjustments that hurt the economies of businesses and private individuals.

2.7 Make it easy for contributors to utilize excess VAT payments to credit SAR [Retirement Savings System], IMSS, Infonavit, and others.

Monetary Policy and Financing

3.1 Propose that the **national banking system broaden** their mechanisms to **renegotiate loans with their debtors** so their repayment capacity be taken into account.

It is essential that in the context of the current crisis, the **national banking system take into account the current high levels of intermediation** because the financial sector must also contribute with the other sectors to solve the crisis.

It is important that the **Development Bank resume its functions** with all the broadness required.

3.2 **Regarding the exchange rate, it is required** that the Bank of Mexico pledge **to stabilize it and maintain it at competitive levels.**

3.3 In accordance with Article 32 of the Bank of Mexico Law, its governor should periodically be summoned to the Chamber of Deputies to report on the institution's activities and policies.

All these proposals are basically intended to assure the permanence of the small and intermediate businesses while guaranteeing employment and improved wages.

Businesses that have benefited from reduced taxes, in solidarity, must transfer part of their benefits to their workers' wages.

In view of the national emergency, the PAN lawmakers propose this plan for immediate application to resolve the crisis, stating that in the future structural reforms will be needed, not only in economic aspects but in social and political ones as well. These are outlined in the PAN's 1994-2000 government platform.

Mexico City, 19 February 1995

PRD Leader Munoz Views Economic Crisis

PY2302144095 Rio de Janeiro O GLOBO in Portuguese 20 Feb 95 p 15

[Interview with Democratic Revolutionary Party, PRD, President Porfirio Munoz Ledo by Elio Gaspari; place and date not given]

[FBIS Translated Text] [Gaspari] Do you know the difference between President Ernesto Zedillo and Easter Week?

[Munoz] No.

[Gaspari] According to a joke going around in the United States, Easter Week sometimes falls in March, sometimes in April.

[Munoz] I don't think Zedillo will fall. Conditions are not ripe for a coup in Mexico.

[Gaspari] Can conditions become ripe with Zedillo's ability to lose prestige?

[Munoz] If his government continues to deteriorate, there could be a coup. If there is a coup, Carlos Salinas will be the Mexican Pinochet. Let me be softer: Salinas might be the Mexican Pinochet. He created a type of power structure behind the throne, based on the speculative nature of the economy and on the privatization process that he conducted. During the Salinas administration, 24 individuals made fortunes exceeding $1 billion. Almost all those billionaires are linked with Salinas.

[Gaspari] Under what type of situation might a Pinochet-Salinas appear?

[Munoz] An attempt to oust the government. Under the Constitution, if there is a vacancy in the presidency during the first two years of a mandate, a general election should be called. If a vacancy occurs after the second year, however, the president should be elected by Congress. I am not saying this is a feasible plan, but Zedillo's problems began when he searched for a new political relationship with the other parties. The oligarchic groups that were strengthened by Salinas did not like this.

[Gaspari] Why did Salinas create a parallel power structure, if former Mexican presidents have traditionally abandoned public life?

[Munoz] This tradition began 60 years ago when President Lazaro Cardenas put his predecessor Plutarco Elias Calles on a plane and sent him abroad. Salinas broke this tradition. His privatization process transferred public property to oligarchic groups that continue operating in Mexican

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politics and in the Mexican economy. In Chile there is a story according to which 35 percent of the public enterprises that were privatized are in the hands of Pinochet's generals. In Mexico, nearly 50 percent of what was privatized is in the hands of the Salinas group. He belongs to a generation whose objective was to put an end to what they called "Mexican myths." He abandoned our nationalistic tradition. He tried to break the principle of non-reelection, but he failed. To this day there remains a question hanging in the air: Who killed government candidate Donaldo Colosio?

[Gaspari] Who did?

[Munoz] Colosio was murdered by a conspiracy born of the system. What happened in Mexico is similar to what happened at the end of the Roman empire. The PRI [Institutional Revolutionary Party] secretary general—Salinas' former brother-in-law—seemed an independent man and was also murdered.

[Gaspari] How is Salinas operating?

[Munoz] His group bets on Zedillo's weakness. With a speculative economy such as Mexico's, they can change the rules of the game. They lost political power, but they keep economic power. They can bring the government to its knees by withdrawing their capital from Mexico.

[Gaspari] Has President Zedillo perceived this?

[Munoz] There is ambiguity in the relations between the president and his predecessor. It is a relationship of complicity and discontinuity, with the maximum possible loyalty and complicity, but this does not always work.

[Gaspari] Was the fall of the Mexican peso the result of speculation or of a structural crisis?

[Munoz] Both factors.

[Gaspari] Was there political action behind the crisis?

[Munoz] All stock exchange declines, even before the December crisis, have been linked with political factors. Even now, Mexican stock exchange declines are caused by the actions of those economic groups. Their message is that either they are in command or it will be Commander Marcos, of the Zapatist Army, who will be in command. Emilio Azcagarra, who owns the largest Mexican television network, said on Televisa that Commander Marcos is to blame for everything. He is not. It is Azcagarra who is to blame, because he pulled his money out of the country.

[Gaspari] Couldn't the peso have been devalued without a crisis?

[Munoz] It could. Salinas made a mistake by securing the currency. He did that for three reasons. First, he promised exchange rate stability to President Clinton. This way, he subsidized U.S. exports. He then maintained the peso at an artificial rate to win the elections in August. He won, and he kept the peso at this artificial rate because he did not want to lose prestige, as he was a candidate to the post of secretary general of the World Trade Organization.

[Gaspari] Couldn't Zedillo have done otherwise?

[Munoz] The surprise effect, without advising the United States, was a political decision. Before his inauguration, Zedillo spent three months locked up in his house. He knows the kind of people who are close to Salinas. His life was in danger.

[Gaspari] Would your party have done otherwise?

[Munoz] The great charge the government pressed against us was that if our candidate, Cuauhtemoc Cardenas, was elected, there would be a capital drain from Mexico. Well, the drain occurred with the victory of the government candidate. If we had won the election, we would have compelled Salinas to devalue the peso while he was still in power. A devaluation carried out a few months earlier could have produced a stable peso at a rate of 4.5 pesos to the U.S. dollar. Now the rate stands at about 6 pesos. Salinas left delayed-action bombs in the air. He did the same with the Chiapas guerrillas.

[Gaspari] Do you believe Commander Marcos has been identified?

[Munoz] I don't know. The pictures shown by the government do not have very similar physical traits.

[Gaspari] Say something good about the Salinas government.

[Munoz] Me? Nothing. I am against the entire government. I cannot see anything good in it. If the foundations are bad, nothing that is placed on them can be good. For 20 years now I have advocated an economic liberalization, yet not the one that was implemented. An economy can be opened if there are broad prospects. The United States has wanted integration with Mexico since the 1970's. What do they want? Two things: To sell their products and guarantee their petroleum supply. We could have addressed the subject some other way. Salinas wasted the opportunity by doing everything for them and nothing for us.

[Gaspari] Now say something bad about the Salinas government.

[Munoz] He corrupted the republic. Before him we had two bad presidents: Lopez Portillo, with his monarchical whims, and Miguel de la Madrid, with the deep mediocrity of a minor bank employee. One of them governed like a king and the other like a bank employee, yet both behaved as officials at the service of the tradition of the Mexican state. Salinas was an adventurer, an unscrupulous government leader who visited the U.S. President eight times but who received only one visit in return. I challenge anyone to show me a similar case in the history of world diplomacy.

[Gaspari] Please mention a concrete case of corruption.

[Munoz] The privatization process. He used public goods for the sole purpose of favoring personal interests.

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[Gaspari] Which privatization?

[Munoz] All of them.

[Gaspari] Give an example.

[Munoz] The Mexican Telephone Co, Telmex. The government held rates steady for two years despite the fact that an increase had already been approved. Meanwhile, they invested in the enterprise. The consequence was a profit drop. When they sold it, the price was low for the buyer. And what happened immediately thereafter? The rates went up.

[Gaspari] Who bought Telmex?

[Munoz] According to the documents, it was entrepreneur Carlos Slim. People say, however, that it was bought by Carlos and Charlie, which is a restaurant network.

[Gaspari] And who is Charlie?

[Munoz] Carlos Salinas.

[Gaspari] What do you think the Mexican economy will be like in three months?

[Munoz] The package sponsored by Clinton is a psychological shelter umbrella. It is history's biggest Alka Seltzer, destined to cure the Tequila effect. If Zedillo stabilizes the political situation, he might maintain stability for six or eight months. I don't think stability will be maintained beyond that. The credits destined for Mexico will not go to productive activities. They are destined to subsidize capital. They can reduce imports, but the deficit will continue.

[Gaspari] What should be done to prevent another crisis in eight months?

[Munoz] Zedillo should make a medium-term renegotiation. I believe this renegotiation should involve not only Mexico but all of Latin America. I will address the subject with President Fernando Henrique Cardoso. We have to renegotiate the rules of the financial system. We have to renegotiate the foreign debt agreements, because nothing will be resolved if the foreign debt is not renegotiated. Today the world financial system has a general vulnerability. The problem is not only in Mexico.

[Gaspari] Who will be the Mexican president one year from now?

[Munoz] Zedillo.

[Gaspari] Under what conditions?

[Munoz] If he makes political reforms, he will have stability.

[Gaspari] Could former President Salinas take to the streets?

[Munoz] If he hides, he may.

Identification With Marcos Explained

95CA0142A Mexico City LA JORNADA in Spanish 17 Feb 95

[Commentary by essayist and social critic Carlos Monsivais: "Are We All Indians?"; received by Internet]

[FBIS Translated Text] The public recognition of a movement that describes itself as subversive is difficult to explain. Whereas opposition to it is easy to explain (a desire for order, demands for a get-tough policy, fear of economic consequences, and hatred of all dissent), various factors are involved in recognition. In the case of the EZLN [Zapatist Army of National Liberation] and Deputy Commander [Subcomandante] Marcos, I can find these ingredients, among others:

—The demand for peace and opposition to crushing a group to which ideals and consistency are attributed.

—Youthful or childish excitement stemming from the challenge to the powers that be.

—Critical and self-critical acknowledgment of racism and its devastating consequences, and support for the grievances of ethnic groups.

—Enthusiasm for those who, in a country mired in passivity, take it upon themselves to retaliate.

—Ultra-leftist radicalism that does nothing more than utter words of admiration as curses and that feeds off sectarian intransigence.

—Respect for those who have decided to change an intolerable state of affairs, even at the cost of their lives.

These stances combine and meld in demonstrations, documents, and attitudes. And this also goes for those who feel that "Marcos" and the EZLN clearly desire the limelight and are dogmatically obstinate. Yet, and I think that my assertion can be verified, most of the different degrees of recognition for the cause of the EZLN and "Marcos" (which are never exactly the same) are not marked by a hypocritical approval of the armed struggle, nor by the revived dreams of the 1970s extremists, nor by the evocation of "Cuban-style socialism," which is now sadly in ruins. The dominant feature, the one that consolidates its support, is the vision of a different country governed by an agenda of social justice and a system of restraints on impunity.

I am not denying the verbal excesses to which the fervor for "Marcos" and the EZLN leads, nor am I downplaying the uncouthness of the extremists (which is so identical to the uncouthness of the official hard line), but in the final accounting this is secondary. What is most important is the need for peace and political and economic democracy, often empty terms that are essential here for us to live.

"We are all Indians." The rallying cry of the demonstrations is unassailable insofar as it reflects pride (something new in our history) in a basic element of our nationhood. But what is to be said about "We are all Marcos"? The

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statement seems excessively rhetorical, the fruit of militarist passion, romantic frenzy, or messianic stagecraft. It unquestionably is in some cases. But in light of the government's intention (to turn a serious political problem into a mere legal matter), the opponents of the war and McCarthyism are saying something very simple: If you condemn "Marcos" for wanting a better world, a more just Mexico, well then condemn me and everyone else too for the same reason. This is the logic: we are guilty for wanting and making peaceful demands for something that others are waging an unpredictable war to achieve.

The emphasis on "Marcos" and the EZLN could be interpreted as support for guerrilla war. If I judge by the behavior of civil society ("this" leftist and center-left civil society) as of 1 January 1994, however, I come to a different conclusion: the overwhelming majority of the sectors that sympathize with the Zapatists are in no way supporters of the armed struggle. And there is no "schizophrenia" here. One cannot forget, no matter how impassioned feelings become, the destruction and death that war and the militarization of ideas bring. Nor, however, can one underestimate the factors that led to violence from below: the disappearance of the rule of law (blatant in Chiapas); the impunity of estate owners, ranchers, and their "white guards"; the persistence of electoral fraud and the abuses of centralism and the PRI; the selective assassinations that have decimated community leaderships; the annual death toll in the tens of thousands from curable diseases; the complete lack of cultural promotion; the looting of public funds, and the evil exploitation of the workers.

And if it does not accept the viability of the armed struggle, it does qualify its opinion of the rebels, who want to transform the system so that people can lead decent lives. "Marcos" and the Zapatists have played a huge role in reviving the spirit of social justice. This moral capital, which the government has so studiously ignored, has not diminished perceptibly in recent days; perhaps it has even grown.

Despite the demagoguery or ultraleftist parlance that characterizes many of the pronouncements in favor of the EZLN, the essence of its support does not stem from exhumed photographs of Marx and posters of "Che" Guevara, but rather from the minimum and maximum utopia that the country can accept: the image of a country that is now inconceivable without the Indians' grievances and without drastically less inequality. As a result, many Mexicans have never felt that they are hostages of the Zapatists or victims of the indigenous threat. Many, many more feel that they are hostages to the breakdown of the judiciary or to governmental corruption or to the ineptitude of the economic cabinet. The following claim is false and unacceptable: "The EZLN...is not a peasant or Indian organization" (it comes from the Interior Secretariat's "information packet on the situation in Chiapas"). And the display on television of a few meager arsenals that supposedly justified the get-tough policy of the regime "that saved the country from destabilization" was rather ridiculous.

What elements of life in Chiapas can explain the support for "Marcos" and the Zapatist Army? They are obvious: the feudal nature and criminal behavior of the (PRI) right wing in Chiapas, the deep-seated racism, and the disdain for human rights. And there are other factors as well: the fate of the displaced persons, the behavior of the Zapatists in the zones they occupied, and the nature of their political philosophy. For the time being, though, those who are protesting the militarization of the area are certain of this: without the presence of the armed Indians and without the pronouncements by "Marcos" (which stylistically are as faulty as his critics think), the inhuman situation in Chiapas, and throughout the indigenous world, would never have been of interest to the government, to society, and to many international sectors, nor would all of the government's aid programs been set in motion.

The protesters are thinking about the following: about governors like Absalon Castellanos, Patrocinio Gonzalez Garrido, Elmar Setzer; about the thorough looting of the country by the neoliberals; about the racism that brands the "Indians" as "puppets"; and about the Indian leaders who have been tortured and killed. If this does not invalidate the criticism of violence as a solution, it does put it in perspective.

We should also remember the poor saps who, according to businessmen, are content to just watch television. As far as we can tell, they do not agree with the destruction of "Marcos" and the EZLN, nor are they interested in the armed struggle (the evidence is there to see), however, they do feel that the Zapatists represent their deep-seated, enormous grievance. And this psychological phenomenon, which has already transcended fad status, is a political fact with unpredictable consequences.

The opposition to the war, the rejection of McCarthyite tactics, and the defense of the human and civil rights of the Indians reaffirm the civic substance of a movement whose harshest critics would like to pigeonhole it as a would-be guerrilla force. I do not doubt, I repeat, that this is the case with a few groups, the ones that call the left "reformist" and proclaim their anti-intellectual faith and their cult of ill-will. What we are seeing today, however, is essentially a civil and human rights movement that sees the root of the problem as inequality and racism. The government erred in abandoning its attempts at dialogue and in choosing the path of military action and police harassment. Society does not believe in violence and does not want any more Zapatists and soldiers to die in Chiapas. In this regard, in the sense that we are demanding a country that is truly governed by law, a great many, albeit not all of us, are Indians.

Assistant Agriculture Secretary Arrested for Embezzlement

PA0103183595 Mexico City NOTIMEX in Spanish 1747 GMT 1 Mar 95

[FBIS Translated Text] Mexico City, 1 Mar (NOTIMEX)—The Office of the Attorney General of the

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Republic [PGR] has announced that Jaime de la Mora, Mexican assistant secretary of agriculture, has been arrested by the authorities on charges of alleged embezzlement. The PGR pointed out that De la Mora is assistant secretary for planning in the Secretariat of Agriculture, Cattlebreeding, and Rural Development [as received]. He was also director of Banco Nacional de Credito Rural [BNCR] during the previous administration.

De la Mora was arraigned before a federal judge after the appropriate authorities conducted an audit of his administration at the Banco Nacional de Credito Rural. According to the terms of the investigation, De la Mora may also be accused of diverting resources from the Banco Nacional de Credito Rural.

The investigation documents also noted that De la Mora was an investments project analyst for the Secretariat of the Presidency from 1973 to 1976, chief of the Hydraulic Infrastructure Department from 1977 to 1979, and assistant director of Agricultural and Fisheries Development from 1979 to 1980. De la Mora also held several public administration positions in the defunct Secretariat of Programming and Budget.

Column Issues Warning About CIA Spying on Economy

PA2802200795 Mexico City UNOMASUNO in Spanish 27 Feb 95 pp 1, 7

[From the "In the Plains" column by Rodrigo Cabrera]

[FBIS Translated Text] Following the collapse of socialism and the world of espionage's Cold War, the CIA is now underemployed. To keep it 100 percent busy, the U.S. Congress has entrusted it with a new task: to spy on the Mexican economy and on the Zedillo plan in an effort to support it.

By what right? By the right provided by the $20 billion which, even if it comes little by little, the United States recently lent to Mexico, according to New York Republican Senator Alfonse D'Amato, chairman of the U.S. Senate Banking Commission.

It is no surprise that the CIA is operating in Mexico. It has been doing so for many years, and even former presidents such as Luis Echeverria have been mentioned as links in this sinister apparatus that serves Yankee interventionism. Here and throughout the world, the United States has meddled wherever it has wanted—from the fall and assassination of Salvador Allende in Chile to the war between Iraq and Iran.

To ensure that we never lose sight of this, we should focus on the true spirit of the U.S. relationship with all of the peoples of the world. The United States will never relinquish, despite the stupid wars it has gotten itself into, its role as policeman of the community of nations.

Furthermore, there is one thing we must say to ourselves. To perform efficiently, the CIA uses accomplices who are either fond of the organization or paid. Without hesitation, it carries out orders (even if they run against the interests of the President in office). The United States does not give a tinker's damn about this sovereignty stuff.

Who in Mexico is going to help the CIA investigate and spy to confirm whether the Zedillo administration is using the $20 billion the way God and the United States want it to?

Shrill and brazen anti-Yankee slogans aside, the determination of many Mexican nationalists to have Mexico raise its guard against the United States in this time of crisis is well-founded: As soon as news about the setback caused by the peso's devaluation and the lack of liquidity spread around the world, U.S. interests—the cornerstone of U.S. international policy—licked their chops at the prospect of acquiring electricity, ports, railroads, refineries, oil and gas pipelines, and Pemex [Mexican Petroleum]!

The accusation leveled against Luis Echeverria was never proven or confirmed, and, at the time, it even seemed fantastic: Echeverria, Salvador Allende's friend? Echeverria, the nationalist and prosocialist president? The enemy of catch phrases [coro facil de la creacion]? The fact is that Luis Echeverria never responded to the insinuations, just as, for example, Miguel de la Madrid never responded when WASHINGTON POST columnist Jack Anderson wrote that De la Madrid, then-president of Mexico, had a secret account in Switzerland that contained several billion dollars.

What happened, however, was the emergence—and, here, Manuel Buendia contributed a great deal to this—of a broad network of "Mexican" collaborators who served the CIA covertly under a wide range of disguises: from government employees and politicians to important columnists. This network has not been dissolved. In some cases it has been renewed or has managed to penetrate deeper into an alliance with another sinister mess of criminals who already have lieutenants in high positions within the Mexican Government and in the business sector—namely, the drug traffickers.

Now they will watch our economy, according to the U.S. Congress. However, we must not forget that the CIA's intention and goals are always, in the end, political. We must be careful.

EU Proposes to Zedillo Establishment of New Ties

PA2602185595 Mexico City NOTIMEX in Spanish 0436 GMT 25 Feb 95

[FBIS Translated Text] Mexico City, 24 Feb (NOTIMEX)—Today, the European Union (EU) proposed to Mexican President Ernesto Zedillo the establishment of a new framework of relations and the signing of a joint political declaration stating both nation's willingness to become privileged partners.

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Alain Lamassoure, French minister delegate for European affairs and the current EU president, said during a news conference the Mexican president had perceived the proposal as advantageous, "and he had given us a favorable answer, in principle."

Following the private meeting with Zedillo, the French official said that during the next weeks "we are going to consult with the other EU members to confirm whether we can prepare the text of the document, which is going to establish the framework of our future relations."

The objective of his visit, Lamassoure said, was to express to Mexico's leaders the political support of France and the EU during this difficult period Mexico is experiencing and at the same time to propose the drafting of a document that will establish a framework for relations in the mid and long term between the signatories.

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Nicaragua

FSLN's Ortega Reiterates Call for National Dialogue

PA0103144395 Managua BARRICADA in Spanish 28 Feb 94 pp 1, 2

[Report by Pablo Emilio Barreto]

[FBIS Translated Text] The Sandinist National Liberation Front [FSLN], through Daniel Ortega Saavedra, its secretary general, reiterated yesterday its proposal for a broad national dialogue in order to reach an immediate agreement that will resolve the problem between the legislative and executive branches.

The FSLN secretary general is maintaining his party's unchanging position in favor of profound reforms to the Constitution that contain checks and balances among the state branches and the power of the people to influence economic policies.

According to the Sandinist proposal, all political, social, trade, and religious groups that were excluded from the constitutional amendments process must participate.

The Catholic and Evangelical Churches, the National Union of Small and Medium-Sized Farmers, Cosep [Higher Council of Private Enterprise], the Permanent Congress of Workers, the Liberal Constitutionalist Party, the FSLN, and other parties excluded by the National Assembly must participate. Although he did not mention specific topics, Ortega noted that "five basic points of discussion for this national dialogue" could be sought.

If no national agreements are reached this week, the country could fall into uncontrollable chaos, for which the deputies and the executive will bear the responsibility before the judge of history, on account of their intransigence and arrogance, Ortega Saavedra said during a more than hour-long appearance on Radio Ya.

He also discussed the possibility of convening a constituent assembly to elect new deputies, for instance, since the current ones are discredited and really do not represent the people and political parties that elected them.

"Before summoning a constituent assembly, we must make every effort for a sound and respectful dialogue," Ortega Saavedra said in response to a question from Managua-based reporters. "We are calling on the government and the National Assembly to forsake their positions of force and arrogance, since through their attitudes, they are imposing a crisis not seen in the country since 1979," the FSLN general secretary argued.

During his appearance, Ortega disclosed that a number of politicians and government officials held "an informal meeting" a few days ago to discuss the problem of the constitutional crisis caused by the "cat and dog fight" between the government and the National Assembly. The Sandinist leader said "nothing formal" came of it. Attending this meeting were Presidency Minister Antonio Lacayo, General (retired) Humberto Ortega Saavedra, current Army Chief Joaquin Cuadra Lacayo, Alfredo Cesar, Arnoldo Aleman, Miriam Arguello, and Daniel Ortega Saavedra.

Ortega Saavedra rejected as lies government statements that the FSLN is responsible for the current crisis in the legislative and executive branches, since the FSLN has only 10 deputies, who have been basically barred from any kind of negotiations in the National Assembly.

He also reiterated as false the claim that the FSLN "opposes the constitutional amendments," since the FSLN was the first to propose them in 1993, and the bill was discussed with UNO [National Opposition Union] in November of that year. The revolutionary leader said he supports "80 percent of the current constitutional amendments" but added that said amendments do not mention the things that interest people the most, such as the creation of jobs, stability of property ownership, education, and health.

He did not endorse the "election runoff," because the topic "was handled in the amendments in a cheap, political way," and because this proposal fosters "electoral prostitution" in the country's general elections. Ortega Saavedra said this would provide minority political forces a "prostituted means" of snatching victory at the polls from the people in the next elections.

He noted that the "bans [inhibiciones]" are not the essential issue in the constitutional amendments, since President Violeta Barrios de Chamorro can run as a candidate again because the people will decide who to vote for. Ortega voiced his concern over the current clash between the state branches, since there is even the possibility that "a second de facto government may be imposed through Vice President Virgilio Godoy. [no closing quotation mark as published]

The Sandinist leader felt that the conflict could be resolved by the Supreme Court of Justice, something that would simultaneously establish a balance among the different state branches.

He rejected any pressure from abroad to resolve the domestic conflict between state branches and explained that "the people would now seize power at the polls, through an election," referring to a statement made by Carlos Fonseca on 19 February at Revolution Square. The government has taken upon itself the denial of the much-vaunted "shared government with the FSLN, since it accuses us of being responsible for the current crisis that the government has caused," Ortega said in reply to insistent questions by reporters.

Panama

Labor Minister: Panama Can Manage Canal

PA2802122195 Panama City LA PRENSA in Spanish 27 Feb 95 p 4A

[Report by Manuel Alvarez Cedeno]

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[FBIS Translated Text] Mitchell Doens, labor and social welfare minister, has affirmed that Panama is capable of managing the Panama Canal once it is reverted to Panama by the United States on 31 December 1999.

Doens explained that ever since last May's victory in the presidential elections, the administration of President Ernesto Perez Balladares has been coordinating with the U.S. Armed Forces on the areas to be reverted.

The Panama Canal is a U.S. federal agency, run by the United States and Panama, but the Canal will be transferred to Panamanian hands at the end of the decade, according to the terms of the Panama Canal Treaties signed in 1977.

Doens, one of President Perez Balladares' closest aides, was dismissive of sectors in Panama and the United States that say that Panamanians will not be able to manage the Canal.

"We are getting ready. We support the constitutional title on the Panama Canal, we amended the Interoceanic Region Authority (ARI) Law, and we have created a transition commission tasked with drafting the law on this entity that will manage the Panama Canal once it reverts to Panama," Doens explained.

Doens asserted that the people of Panama are capable of running the Canal; after all, 95 percent of its employees, who are in fact Panamanians, are already doing just that. "We will show the world in 2000 that we know how to manage the Canal, just as Panamanians are already doing," he stated.

The Panama Canal, which offers a short and relatively cheap passage between the Pacific and Atlantic Oceans, has had an important impact on world trade, promoting growth in developed countries. It also has given many remote areas the basic push they need to expand.

Of the thousands of ships that transit the Canal every year, approximately 23 percent of the largest are Panamax-class vessels, weighing 60 thousand tons. These are the largest vessels able to transit the waterway.

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Argentina

Menem Opens Congressional Session

PY0103220495 Buenos Aires Radio Nacional Network in Spanish 1358 GMT 1 Mar 95

[Speech by President Carlos Menem at the opening of the 113th session of Congress in Buenos Aires—live]

[FBIS Translated Excerpt] [passage omitted] I come to you, as I have been doing so over the last six years of my tenure, to give an account of our administration, but on this particular occasion to take stock of my entire term of office as president, which the Argentine people, living in democracy, have bestowed on me.

I have sworn before this Congress to discharge with loyalty and patriotism my duties as president of the nation by faithfully observing and enforcing the Constitution, before the judgment of God and the motherland.

I come here today to tell you, honorable lawmakers, that I have fulfilled my oath.

I have ruled this country with resoluteness and decision, in good and bad times, seeking one sole objective—the happiness of my people and the greatness of our nation.

Six years ago, before assuming office as president, I outlined my proposal to the men, women, youngsters, and children of our homeland.

I had only one proposal—a clear, simple, and categorical one. My proposal was to change history, and that was the mandate I received from the Argentine people. [passage omitted]

Here I wish to dwell upon the constitutional reform, which advanced the opening of the new session of Congress from 1 May to 1 March. As I have already pointed out, by extending the period of ordinary sessions of Congress, the new Constitution acknowledges the great importance of the task entrusted to this house of democracy. [passage omitted]

As I have already mentioned, we have amended the Constitution so as to adapt it to the requirements of the present time, now that we find ourselves at the threshold of the 21st century. Nevertheless, we have tampered neither with its dogmatic part nor with its philosophical principles.

The present Constitution stems from a consensus reached by the country's majority forces, and was drafted by the Constituent Assembly convened in the cities of Santa Fe and Parana, which was made up of members representing all the political parties and covering the entire spectrum of political ideologies.

I honestly believe that this constitutional reform was the corollary of all the achievements of these past six years. [passage omitted]

We have submitted to this Congress the Higher Education Bill—which has already been passed by the corresponding committee—which will promote excellency, equality, and efficiency in higher education.

We take great pride in being able to say that the Argentine educational system is undergoing a thorough transformation.

On this point I would like to put forth one consideration, with which I think everybody will agree—namely, that the education and qualification of our people are undoubtedly the keys to our individual and social future.

There can be no sustainable economic transformation or productive revolution without an education system that prepares us from early childhood for the difficult world of the 21st century.

Education is the basis of development and the only guarantee of a future of grandeur. I think that all the efforts we can make in this regard will prove insufficient. This is why I call upon you, honorable representatives, to sharpen your efforts and imagination to enhance the educational system to optimum levels.

As a contribution having strategic value, we have established the National System for Science and Technology and the Federal Science and Technology Program for Development.

In my last year's address, I said that poverty is not overcome with charity, but rather with social organization. Today, I reiterate this, and I also reiterate my basic ethical commitment to all our needy brothers and sisters.

I must make it clear, though, that although there are still many pending things to do—it would be hypocritical to ignore them—stability is the greatest contribution we have made toward achieving social justice, because in a country riddled with inflation and hyperinflation, social justice can only receive mortal wounds.

Social justice cannot and will never be able to exist alongside stagnation and backwardness.

In this regard, I would like to underscore that the success obtained by our fiscal policy has enabled us to achieve record levels of investments in social programs.

Estimates of the resources that the federal government is to allocate for specific social programs, which will be geared to meeting the needs of the poorest sectors, exceed 14 billion pesos for the next four years.

The decision to earmark the aid for this focal point seeks to ensure that every peso appropriated for improving the quality of life of our people indeed gets to its final destination, instead of being engulfed in a bureaucratic tangle or diverted for other ends, as has occurred in the past and on more than one occasion.

In order for the huge effort the Argentine people made to transform the economy—and I would venture to add to

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transform their culture of economic and social coexistence—to make ethical and moral sense, it must of necessity result in an optimization of social justice.

The first stage of the country's democratic recovery involved the consolidation of its institutions and the banishment of the ghosts of the past.

We can now assert that any uncertainty about Argentina's democratic future has been wholly dispelled.

The second stage entailed bringing about an economic revolution, the basis of which has already been established, accepted, and adopted by the immense majority of the population.

What is more, we have accomplished this revolution without stripping the state of its true meaning or turning it into a dumb state [estado bobo]. We have, rather, managed to make the state concern itself with the things it should see to, and stop hindering the private sector's creative initiative with red tape and regulations.

Never before in this century, not even in the decade following the crisis of the 1930's, has the state intervened so much in the country's economic life as it has as of 1989.

Today, however, what is needed is not functioning as an entrepreneur who operates everywhere with a deficit, and is ready for any corrupt maneuver, but as the manager of the common good, as the controller of the social good, and as the instrument for channeling funds toward areas whose needs cannot be postponed: justice, security, health, and education.

Now is the time for social justice. From the forum of this honorable Congress, I declare that the 1995-99 period should be the period of social justice.

I would like to end this evaluation with a few words about our foreign policy, an area in which I would dare say we implemented a true cultural revolution. An outstanding result of this revolution today is an Argentina that commands respect, and whose voice is heard all over the world.

Over the past few decades, Argentine foreign policy has been timid and even ambivalent.

To some extent, the "third position" described by General Peron was mistaken as "no position," in a kind of attitude in the Pontius Pilate style, which made us lose respect and seriousness.

We worshipped the "don't get involved" attitude, and this became a sad feature of the "Argentine self," synonymous with our non-commitment.

We have totally reversed this situation, and the Argentina of today does become involved and committed, as it wants to play an active role in this period of history.

To this end, among other things, our actions sought to:

Promote the active engagement of international organizations, especially the United Nations and the Organization of American States, which, after the end of the Cold War, were assigned a role that did not exist during the old East-West confrontation.

In this regard, we decided to actively engage—at the diplomatic level and with our Armed Forces—in all the peace missions that were requested of us, from the Persian Gulf to Bosnia, from Haiti to Cyprus.

We did that because we are convinced that human problems affect all human beings, and that human rights are, therefore, more important than any other rights.

If we want a world in peace, we must guarantee a world with justice. If we want a world with justice, we must guarantee freedom for people. If we want a world with freedom, we must guarantee democracy.

Yet freedom with misery and democracy with starvation are not just.

This is why we promoted the creation within the United Nations of the "White Helmets," or volunteer forces for fighting starvation and poverty, who are undergoing their first test along the border with Bolivia. [passage omitted]

We promoted regional integration processes and bilateral and multilateral agreements. We strongly supported Mercosur [Common Market of the South], which is today something concrete and real.

We have no doubt that Mercosur and other regional agreements like NAFTA will be the foundation for building the unity of the Americas, implementing a single market from Alaska to Tierra del Fuego.

With our sister republic of Chile we agreed on the bases for resolving our pending border conflicts, putting an end to disagreements that were more than 100 years old, transforming the Andean mountain range into a wall of friendship instead of rivalry.

On the basis of mutual respect, we have developed full and confident relations with the United States, a nation with which today—with due consideration for relative differences—we maintain preferential ties of friendship.

We rebuilt our relations with the United Kingdom on the basis of sincerity and maturity, and this has not prevented us from upholding, with maximum diplomatic firmness, our inalienable rights over the Malvinas Islands.

It is the Argentine president's hope—a hope that I believe is shared by the entire Argentine people—that, as the Constitution sets forth, with the international respect that we have won for ourselves, and with our credibility as a country, negotiations for sovereignty over our dear Malvinas Islands will be successfully concluded before 2000.

Messrs. legislators:

Over the past few weeks the international community has been shaken by a sizable financial crisis, whose visible tip appeared in the sister republic of Mexico.

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I dare say, based on the categorical facts, that the situation of Argentina would have been very serious if this crisis had occurred at another point in history, or with an incorrectly implemented economic transformation.

Our plan was, and continues to be, to permanently and gradually increase domestic savings in order to be self-supporting at the end of the century, within a context of steady growth.

The international financial crisis arose when we were halfway toward our goal. Yet I want to make it quite clear that this crisis and its repercussions will not make us change our strategic objectives.

We will continue to do everything possible, without tricks, to attract foreign capital. We are prepared to use all instruments—and this should be clearly understood, all instruments—to increase domestic savings whenever necessary.

Our first commitment to meet the challenge posed by such circumstances has been the categorical defense of stability, of convertibility, and of the "one to one" parity of our currency.

Fortunately this is no longer a commitment of the executive branch and of this honorable Congress alone, but also of the vast majority of Argentines.

The defense of the stability of our currency will make a radical difference between the hard fiscal adjustment that we will enforce as of now, and the inflationary, devaluating adjustments of the past.

We would like to assert that we are willing to do whatever is necessary to preserve the nation's credit-worthiness and to honor our financial commitments at home and abroad.

The preservation of Argentina's credit standing is not, as some intend to show in a demagogic way, something which is of exclusive or particular interest to our creditors. It constitutes something of utmost importance for the Argentine people in general, and especially for the neediest, be they households or small-scale enterprises, because their hopes for advancement are crucially dependent on the country's credit-worthiness.

I have already said that this time things will be different from the past.

This time, the burden of adjustment will not have to be shouldered by the poorest sectors of society because there will be no rampant inflation or devaluation.

There will be, however, major curbs in public spending, a deep restructuring of the whole apparatus of government, and a relentless crackdown on tax evasion, which is also a corrupt practice.

It is through higher domestic savings that we will head off a crisis and maintain economic growth. The battle of savings has to be waged on all fronts of the country's economic activities.

Producers can do their share by making every possible effort to increase efficiency and competitiveness; consumers, by increasingly demanding higher quality and more competitive prices; and civil servants at federal, provincial, and municipal levels, by being thrifty with the resources the community has entrusted to them.

We must all demand that domestic savings maintain their value and be put to good use.

Only on the basis of so categorical and collective an answer to the international financial crisis that is threatening us will it be possible for our economy to continue growing in 1995. Basing ourselves on this consideration, we estimate that the GDP and per capita income will once again grow considerably, as in 1994. This year, investments and exports will be the driving force behind the country's growth.

There will be a leap in domestic savings, which will rise from 17.1 percent of GDP in 1994 to 19.6 percent of GDP this year, whereas foreign investments will decrease from 3 percent of GDP in 1994 to 1.6 percent of GDP this year.

Honorable representatives, we will soon be in a position to make a detailed presentation of the 1995-99 five-year plan, which includes major investment projects for achieving economic and social development. This five-year plan is not the program of a government or a party. It is, above all, a suitable tool for the state, a state that, after many decades, has recovered the possibility of making medium- and long-term plans. This is a tool for all Argentines in a country that can pursue strategic programs that go beyond the policy that any administration can or wishes to implement.

It is a plan contemplating the fact that by the end of this century, the per capita income will have increased by more than 50 percent, per capita investments will have grown by 150 percent, and consumption will have expanded by 60 percent. Argentine exports of highly processed goods having a higher value added will have grown by three and a half times by the year 2000. Investments in goods and services financed by the state and the private sector will amount to 87.6 billion pesos. Among the major investment projects to be undertaken in the social area, let us mention a 9.65 billion-peso housing and city planning scheme; 4.4 billion pesos to be invested in education and culture, which, among other things, will make possible the incorporation of 900,000 children and teenagers into the primary and secondary education system; 2.4 billion pesos for the running water supply and sewer system; 2.1 billion pesos for the national occupational plan, the retraining of 400,000 workers, and the training of small- and medium-scale businessmen; 1.35 billion pesos for hospital construction, primary health care, and maternal and pediatric health programs; and 4.97 billion pesos for social assistance and development.

In the area of economic development, let us mention the following investment schemes: 12 billion pesos to be earmarked for oil and gas exploration and exploitation; 9.7

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billion pesos to be appropriated for telecommunications; 11.2 billion pesos to be invested in the transport sector; 4.9 billion pesos to be allocated for the generation of electricity; 1 billion pesos to be appropriated for technological development for production; 1.2 billion pesos to be allocated for agricultural programs; 2.1 billion pesos, for lines of credit for industry and foreign trade; 1.7 billion pesos, for the mining industry; 700 million, for ecology and the environment; 3.6 billion pesos, for the reform of provincial states; 1 billion pesos, for the judicial and penitentiary infrastructure; and 750 million pesos, for security and the reform of the federal state.

This 1995-99 five-year plan, which contemplates major investment programs for achieving economic and social development, is not just a dream. It is a serious and feasible program if we implement all the decisions we have announced to increase domestic savings. Moreover, this strategic plan will entail tactical actions that will enable us to solve, one by one, the situations that require an immediate solution. To that effect, this government has decided—as has been proved with the legislation we are advancing—to give top priority to small- and medium-scale enterprises, which, given their structure, are the basis for the social and economic framework. This is why I am asking this honorable Congress to help us by passing the most indispensable laws with regard to pump-priming measures for this vital sector of the country's labor activities.

Honorable lawmakers and representatives of the Argentine people, I have taken stock of the nearly six years I have been in office and I have briefly enumerated the projects remaining to be implemented by the next administration that will emerge from the will of the people, who will go to the polls on 14 May. I have taken stock of my administration without arrogance, but with pride, and without vanity, but with deep emotion, because I know that regardless of whether my endeavors resulted in success or in failure, they were prompted by the sole and exclusive intention of doing the best for the Argentine people.

I long analyzed, before coming here to appear before this honorable Congress and before the entire Argentine people, whether it was appropriate for me to make announcements or discuss future projects when we are in the midst of an electoral process. From an ethical, legal, and political standpoint, though, the answer I came up with was always the same, namely, that a country cannot be brought to a standstill because of an election. With regard to the ethical viewpoint, the answer was categorical—the Argentine president is only a man led to rule the country as a result of circumstances prevalent at a particular time. Argentina came before and will come after Carlos Menem, and Argentine history will continue to be written regardless of who is successful in the 14 May elections. From a legal standpoint, the analysis was even simpler—the legal continuity of a state cannot be questioned even for a second, because if it is, the very existence of the state will then be in jeopardy. From a political viewpoint, the response is to be found in the historical maturity our country has achieved over the last 12 years and the unparalleled economic and political stability the country is enjoying within a framework of full social coexistence. These are already part and parcel of our national heritage, which the people will defend to the bitter end and with responsibility.

Deeply moved and with a clear conscience, I thus formally inaugurate the 113th session of Congress. From now on, our people, when they go to the polls, and history will be the judges of our actions. Thank you very much. May God bless you, and I embrace you with all my heart. [applause]

Stock Market Shares Decline 5.49 Percent 1 Mar

PY0203030495 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2014 GMT 1 Mar 95

[FBIS Translated Excerpt] Buenos Aires, 1 Mar (NA)—The stock market's Merval index today dropped to 304.83 points, the lowest level in the past four years. Leading shares dropped by 5.49 percent.

Operators said today's contracts were made at "liquidation prices." During the day, 39 leading shares dropped, four remained unchanged, and not a single one went up.

The general index fell by 4.26 percent in heavy trading totaling 25 million pesos, which complicated the picture even more.

YPF [Government Oil Deposits] shares had a very poor performance and dropped by 6.7 percent, closing at 17.4 pesos, the lowest value since it started operating in the market in mid-1993. [passage omitted]

Interest on Inter-Bank Loans Increases

PY0203031495 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2240 GMT 1 Mar 95

[FBIS Translated Text] Buenos Aires, 1 Mar (NA)—The cost of inter-bank loans among first-line entities increased again today in an environment affected by the increasing lack of liquidity in financial markets, which raised call money rates in pesos up to 24 percent annually.

Interests rates increased by five points compared to yesterday's rates in the midst of a rising spiral that does not seems ready to end.

Some banks offered an interest rate of 23 percent annually for 30-day deposits. Meanwhile, savers' withdrawal of their deposits in local currency to exchange for dollars continued firm.

The Central Bank increased the injection of money into the market by renewing all papers that were due today for a total of 378.8 million pesos and by loaning an additional 126.5 million pesos at a 13 percent annual interest rate.

The cost of money in dollars also increased significantly. Loans were negotiated at 13 percent per year, almost 4 percent more than yesterday.

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Papers that fall due tomorrow then increased to 505.3 million pesos.

The dollar exchange rate did not change in the most important exchange houses. Dollars were purchased at 99.7 pesos and sold at 100.2 pesos.

Central Bank Stability Strategy Discussed

95SM0202A Buenos Aires CLARIN in Spanish 13 Feb 95 pp 2-3

[FBIS Translated Text] The Central Bank is considering regulations to stagger the maturity of time deposits. The current concentration caused liquidity problems. Redemptions will be limited to 0.5 percent of deposits per day. Roque Fernandez acknowledged that there had been withdrawals amounting to $1 billion.

In the next few days, the Central Bank will order new operational regulations aimed at keeping amounts withdrawn via maturing fixed-time deposits from exceeding 0.5 percent of the total amount of time-deposit funds. According to the head of the BCRA [Central Bank of the Republic of Argentina], Roque Fernandez, the measures under study are to ensure that the banks do not see a return to the investment volatility problems that developed after the crisis in Mexico. "We are trying to see to it that the banks have no more than 0.5 percent of their time deposits maturing per day. In other words, we want a reasonable distribution of maturities over time, so they are not concentrated," stated Fernandez. He explained that such a rule does not currently exist in Argentina, but admitted that there are international precedents "which we are studying and will try to implement in order to reduce the volatility of the system." He did not specify "whether this will occur next week or a month from now."

In reviewing the situation of Argentine banking over the last two months, he emphasized that what occurred was "a significant withdrawal of foreign investment; we could be talking about an amount on the order of $1 billion." This hurt several banks, which had to resort to rediscounting owing to lack of liquidity and portfolio transfers. But their situation had been fairly sound, with good portfolios but a very volatile base," he pointed out. Fernandez also specified, however, that it was inconceivable that a financial crisis in Mexico could cause significant problems in the banking system of Argentina. "It is not reasonable to assume that a devaluation in a country as far away as Mexico will lead to a major shock in a financial system such as ours," he stressed. He said that as a consequence "in the future, regulations will provide some sort of mechanism to reduce the volatility of these deposits," although he ruled out the possibility of keeping out short-term investments, as Chile did when it implemented its financial reform.

Roque Fernandez maintained that liquidity is now being restored in the system and that there is a positive trend in deposits, although he admitted that seasonal fluctuations are common during these months. "There remain some cases that have shifted to the interior of the country," the BCRA's chief admitted, clarifying, however, that "at the present time there is no indication that there will be another request for suspension."

Fernandez noted that in the case of the Basel Bank, its authorities had 15 days to hand over all documentation, "and then we took another 15 days to evaluate it, and then the period of suspension is 30 days." Basel was the third bank to have its operations suspended. The first two were Extrader, which was liquidated, and Finansur, which was suspended but reopened its doors some days ago and is now operating normally. As for Basel, Fernandez explained that the bank "was trying to deal with the situation on its own, but when it became public that there were problems, panic spread among small depositors, and as a result there was no choice but to ask the BCRA for a suspension."

Rates Rise, Credit Tightens

Domingo Cavallo, true to form, went out to give advice. Last week he told people that if they planned to apply for a loan, the maximum interest rate should be 16 percent. While that rate was very common for the mortgage loans available up until last year, these days you have to look for them with a magnifying glass.

The fact is that credit is becoming scarce, and both businesses and the general public understand that the banks' tightening up will contrast with the easy credit that was available after stability coincided with a favorable economic cycle abroad.

"We believe that there may be a drop in interest rates come June, when the elections and the aftershocks of the tequila effect have passed. As the political future becomes clear, markets will settle down," affirmed Jorge Ruiz, head of the retail loans unit of the Banco Quilmes.

At Boston Bank, Martin Lang, in marketing, says that it is unlikely that interest rates will drop to previous levels, "because, among other things, it is going to be difficult to offset the consequences of the armed conflict between Peru and Ecuador."

A banker admitted strictly off the record that rates may drop only when banks are again able to obtain cheap money abroad.

Indeed, ever since international interest rates began rising and "country risk" went up, Argentine banks have had less chance to obtain low-interest funds, which they later unloaded on the internal market, posting large profits.

According to the banks, there are several reasons for all these changes:

- The tequila effect. The crisis in Mexico led to doubts about whether the economic plan would continue as before. Some banks say that this is only a shock wave from what happened with the Mexican peso and that rates will return to normal levels once the crisis is over.

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- The May 14th elections. Although the financial district is taking Menem's reelection for granted, it is playing it safe just in case something happens that it has not bargained for. No one doubts that the peso-dollar parity will hold steady at one-to-one until then, but no one wants to venture a guess as to what might happen after the elections, regardless of whether Menem is in power or not.
- The new Central Bank regulations. On January 1, banks had to raise the percentage of their own capital (not from third parties) in the loans they made. This was a way to increase the safety of the banking system.

In Focus

Argentina's monetary authority is seeking ways to soften the impact of withdrawals from the financial system. Yesterday, the president of the Central Bank acknowledged that foreign investors withdrew some $1 billion after the Mexican devaluation. Shortly before, economist Roberto Alemann had asserted that the withdrawals were about double that amount. In light of the announcements that Roque Fernandez himself made on that strange Sunday, however, the problem is not so much the volume of withdrawals as their concentration in time.

What has been happening is that time deposits have been maturing on certain dates. When they coincided with rumors of trouble in certain banks, the collapse of some of them, and the delays in the measures that everyone was counting on for Mexico, a run was inevitable.

First came the private safety net, which consists of the main banks in the system. Aid did come, but at a high price, as several wholesale banks complained about remissions and the loss of their main asset: their clients' portfolios. So, the official safety net was created. With a percentage of the reserve requirement in dollars (two percent) a $900 million fund was established and placed under the management of the Bank of the Nation. The first "customer" served by the bank that Aldo Dadone heads was a group of provincial banks. Small private banks, among them wholesale institutions, complained bitterly. The fact is, though, that oxygen was getting through.

In December, the Central Bank had established stringent regulations to maintain authorization for bank and finance company operations. It had already become common knowledge that the authorities were seeking to purge the banking industry and that a very harsh adjustment was on the way. The Mexican crisis precipitated events, but the jolt was so strong that it stunned the entire system. Carlos Menem and Domingo Cavallo insisted that no bank would be allowed to fail; their thinking was that a good image could not be projected overseas if the local scene was muddied by bank failures.

The support system carries a price. So far the national government has raised $300 million, one third of the funds earmarked for the safety net. Much remains to be done, but the point is to prevent a run. The regulation forcing banks to stagger the maturities of fixed-term certificates is designed to dampen potential spikes in withdrawals.

Frepaso Proclaims Bordon-Alvarez Presidential Ticket

PY0103164495 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2144 GMT 28 Feb 95

[FBIS Translated Text] Buenos Aires, 28 Feb (NA)—This afternoon Mendoza Senator Jose Octavio Bordon was officially proclaimed presidential candidate for the Front for a Country in Solidarity (Frepaso) while [Grand Front Deputy] Carlos "Chacho" Alvarez will be his running mate on the Frepaso ticket.

The Frepaso presidential ticket was proclaimed at the Club Unione e Benevolenza building, where the two candidates embraced shortly before the official announcement.

Menem Hails Peace Accord Between Peru, Ecuador

PY0203125895 Buenos Aires TELAM in Spanish 1914 GMT 1 Mar 95

[FBIS Translated Text] Buenos Aires, 1 Mar (TELAM)—On 1 March President Carlos Menem underscored the importance of the agreement signed yesterday by the guarantor countries of the Rio de Janeiro Protocol to find a solution to the border dispute between Ecuador and Peru.

Menem said: "The results of the talks are there for everybody to see; within the framework of their visit to Uruguay, the foreign ministers of the guarantor countries (Argentina, Brazil, Chile, and the United States) worked out an agreement on a cease-fire with the feuding parties."

Menem refuted a report released today according to which Ecuadoran President Sixto Duran-Ballen had reportedly pointed out that the guarantor countries' role "has been reduced to being mere witnesses to the agreement that we, the parties, have reached. We want either them, a third party, or a court to study the geographical reality."

The Argentine head of state said that his Ecuadoran counterpart "made it clear to me that he had never couched his thoughts in those terms, let alone about the Argentine Republic."

With regard to the border conflict between Peru and Ecuador, Menem pointed out that "things are at present changing due to this new agreement on a cease-fire in the area under conflict."

Venezuelan Minister Meets Economy Minister

PY2802181595 Buenos Aires NOTICIAS ARGENTINAS in Spanish 0046 GMT 25 Feb 95

[FBIS Translated Text] Buenos Aires, 24 Feb (NA)—Julio Sosa Rodriguez, Venezuelan minister for Latin American economic affairs, emphasized today that his country and Argentina are reviewing the implementation of a program designed "to increase trade" between the two nations.

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Sosa Rodriguez made these remarks after meeting Minister Domingo Cavallo. They reviewed the economic situation of Argentina and Venezuela and the financial crisis prompted by the Mexican devaluation.

The Venezuelan minister indicated that the current trade between the two countries totals $170 million per year. He described this figure as "ridiculous, considering the size of the two nations."

Therefore, Cavallo and Sosa Rodriguez reviewed the possibilities of increasing exports of agricultural products and oil byproducts.

Sosa Rodriguez expressed his "admiration for the stability of the Argentine economy" and emphasized that Venezuela "is doing the same, and is making huge efforts to achieve the required fiscal balance."

The Venezuelan inflation rate totaled 70 percent last year, however, the Venezuelan minister said: "This year we will reverse these figures and significantly reduce them."

Sosa Rodriguez, a former Venezuelan finance minister, visited Cavallo with Venezuelan Ambassador to Argentina Martiniano Bracho Sierra.

According to Sosa Rodriguez, the Argentine minister pledged "to do his utmost" to participate in the upcoming entrepreneurial meeting sponsored by the Venezuelan Association of Executives.

Sosa Rodriguez also noted that the Latin American crisis "has not frightened us" because "there is no reason for this crisis to have a long term impact on other countries."

With regard to the ongoing conflict between Peru and Ecuador, the Venezuelan minister pointed out: "It will not have any consequences for the Andean Pact members." Venezuela is an Andean Pact member.

Brazilian, Argentine Governments View Border Controls

PY2502175895 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2238 GMT 24 Feb 95

[Special report for NA by Jose Maria Monzon]

[FBIS Translated Excerpt] Buenos Aires, 24 Feb (NA)—After a series of comings and goings, the governments of Argentina and Brazil have resolved to meet the unceasing requirements raised by Jewish community representatives and, as a response, have established the bases to reconcile a series of laws in order to improve controls in border areas.

The decision, made by President Carlos Menem and President Fernando Henrique Cardoso during their recent Iguazu Falls summit, was based on a number of ideas contributed by experts from the two governments who have been working for some time to increase the protection of the communities and facilitate the extradition of terrorists and drug traffickers.

In practice, the decision to reconcile the laws represented a direct response to the pressures exercised by the Argentine Jewish communities and the recommendations made by the Israeli Government to increase controls in the "three-border" area.

One of the largest settlements of immigrants of Arab origin in this continent is located in the area encompassing the cities of Puerto Iguazu (Argentina), Foz do Iguacu (Brazil), and Ciudad del Este (Paraguay). Therefore, the Israeli intelligence services have their suspicions about the possibility that the perpetrators of the attacks [on the Israeli Embassy and the Argentine-Israeli Mutual Association buildings] in Buenos Aires received support from this area.

In order to emphasize the importance the two governments attach to this issue, the presidents resolved to place the negotiations in the hands of a group named "Security, Drug Trafficking, Terrorism, and Integration." The members of the Argentine side of this group are as follows: Interior Minister Carlos Corach; Defense Minister Oscar Camilion; Secretary for State Intelligence Hugo Anzorreguy; and Alberto Lestelle, the secretary for the struggle against narcotics. [passage omitted]

Argentine-Chilean 'Inter-Oceanic Corridor' Reaffirmed

PY0103150095 Buenos Aires TELAM in Spanish 1439 GMT 27 Feb 95

[FBIS Translated Text] Comodoro Rivadavia, 27 Feb (TELAM)—Argentine and Chilean authorities today signed here a reaffirmation agreement for the implementation of an "inter-oceanic corridor" and with the goal of receiving loans from international banks.

The discussions, which were held this weekend, were chaired by Oscar Lopez Salaberry, head of the National Commission for the Development of Patagonia [Comision Nacional para el Desarrollo de la Patagonia] (Conadepa), who represented President Carlos Menem, and by Chubut Vice Governor Jorge Aubia.

The Chilean delegation was headed by Coihaique Governor Carlos Sackel Bahamonde, who was accompanied by Aysen Development Under Secretary Carlos Nunez Valenzuela and Chilean Foreign Ministry representative Marcos Schjtman Hardy.

The implementation of the "inter-oceanic corridor" was included among the main issues reviewed by the authorities from the two countries, during a meeting held at the Comorodo Rivadavia Chamber of Commerce, Industry, and Production.

Conadepa Chairman Lopez Salaberry told TELAM that "we are very interested" in the inter-oceanic corridor, "and this has been decided by President Carlos Menem himself."

Lopez Salaberry added: "As this is a binational project, we are now considering the possibility of securing financing

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through the IDB [Inter-American Development Bank] or through other international financial organizations."

The Conadepa chairman added that the "inter-oceanic corridor" "represents not only a geographic reality, but a serious possibility of improving the commercial, tourism, and social exchange between the two regions."

Coihaique Governor Sackel Bahamonde emphasized the political decision by President Carlos Menem and President Eduardo Frei "to prioritize the 'Huemules Pass' within the framework of the integration agreement that they signed in August 1994 in Santiago de Chile."

Argentina and Chile are promoting the use of the Comodoro Rivadavia-Puerto Chacabuco "inter-oceanic corridor" as an international trade path, involving a 2,500 km reduction with regard to the traditional Panama Canal crossing.

Bolivia

'Painstaking Negotiations' To Be Held With Coca Growers

PY0103145695 La Paz HOY in Spanish 20 Feb 95 p 3

[FBIS Translated Text] The government, without ignoring the popular organizations of the Chapare coca growers, yesterday announced that it would start "painstaking negotiations" whose purpose is to inform and convince the coca growers about the anti-drug program it plans to implement in that region to eliminate surplus coca plantations.

Government Minister Carlos Sanchez Berzain, after completing a mission to the conflictive Chapare region, announced: "We will start negotiations, federation by federation, union by union, family by family, to inform them about the national anti-narcotics plan."

According to Minister Berzain, as a result of this negotiating method the government has convinced the representatives of the Tropical Tiraque Federation to voluntarily eradicate the first 700 hectares of coca plantations.

Berzain said: "We talked with union leaders Rojas and Eudoro Barrientos and reached a good agreement." However, the coca growers termed these union leaders "progovernment officials imposed by the government."

Sanchez Berzain, who went "alone" to talk to the coca growers about surplus coca plantations, said that this method of discussing the subject of surplus coca production does not mean ignoring the representative organizations of the coca growers.

In statements to a local radio station, Berzain said that "the negotiations between the coca growers and the government continue, although some people have tried to distort them."

Berzain, who is known at his ministry for the strict way in which he handles social problems, disclosed that he does not intend to return to Chapare this week to resume the dialogue with coca growers.

In the meantime, the coca growers reasserted that the government's anti-drug plan is not appropriate as it does not entail true alternative development in the Chapare zone, which produces tonnes of coca leaf, 90 percent of which is allegedly earmarked for drug production.

Intelligence Document Details 'Mamore' Drug Cartel

PY0103131095 La Paz PRESENCIA in Spanish 13 Feb 95 p 6

[FBIS Translated Text] (ANF)—According to a document in the hands of the secret organs of the Armed Forces and of the Special Antinarcotics Force (FELCN), the famous, and only, Bolivian cocaine enterprise to collect and export a good deal of drugs, "the Mamore Cartel," was founded by two high-ranking commanders and a Bolivian Naval Force (FNB) captain.

According to antinarcotics sources, the secret report also reached the DEA, provoking "great displeasure" in the U.S. Embassy, to the extent of prompting a revision of the "privileged aid" that it was granting to the "Blue Devils," a special unit that gives logistics support to UMOPAR (Mobile Police Unit for Rural Areas) in the main rivers in eastern Bolivia.

Over the past weekend, prosecutor Leopoldo Ramos Errada, the main attorney of the Bolivian antinarcotics services, confirmed the existence of the military document, but declined to refer to its contents or to the influence that it has exerted on the investigation into the "narco-marines" case, which is gradually being clarified and is affecting military chiefs of increasingly higher rank.

He confirmed, however, that 13 former FNB officers and noncommissioned officers have already been found to be involved in the shipment of 479 kg of narcotics discovered on 18 January when the "Sacate Justiniano" gang was dismantled. Meanwhile, six other officers might be summoned within the next few hours. Between 1970 and 1994, 49 officers, noncommissioned officers, commanders, sergeants, and ensigns have been involved in coca trafficking, and according to the above report, in the trafficking of cocaine and precursors.

Creation of the Mamore Cartel

According to press reports, on 18 January 1994 the FELCN found out that the "Sacate Justiniano" gang was part of the "Mamore Cartel" structure.

The military document, which is dated February 1992, identified a captain who had been involved in drug trafficking since 1974. The report added that in 1986 this captain, several officers, and two former Navy commanders organized what later turned out to be known as "the Mamore Cartel."

According to the references compiled by several FELCN intelligence agents, the Mamore Cartel is directly linked with the famous criminal cartels of Cali and Medellin. The

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secret report being studied by the FELCN also confirms that the seven "repented narcos" who are serving light sentences were part of the Mamore Cartel, including "Cocaine King" Roberto Suarez and the cocaine narcocompany of the "Techo de Paja" family.

In this regard, the officers who were confidentially interviewed by this agency revealed that with the "narcomarines case," the FELCN has in its hands "a channel of information which if well used could effect the backbone of Bolivian drug trafficking."

Giving names, last names, places, dates, and detailed activities that are being evaluated by drug officials, the document identifies as elite members of the Mamore Cartel the following officers. A Navy captain reportedly had illegal links with high naval chiefs to cover the drug trafficking of several organizations. He was reportedly involved in drug trafficking in Santa Cruz de la Sierra with a Navy lieutenant and "his brothers." One of them died in an armed clash with another drug trafficker over a fraud case.

The report also mentions another Navy captain who was a commander in Guayaramerin, an Amazon region bordering the Brazilian state of Rondonia, during in the middle of the 1980's. The report also says that this officer was expelled from the United States in 1986 for stealing a penknife in a U.S. Navy supermarket.

A corvette captain is also mentioned as a member of the Mamore Cartel; he reportedly protected drug trafficking in the Guayaramerin region when he was a commander.

The report adds that "the corvette captain was in charge of buying drugs from Peru," from the drug makers in the Upper Huallaga, where the largest cocaine factories are located. This information is under full study by the Intelligence Department of the FELCN Joint Command.

The document of February 1992 also gives details on the activities of drug trafficker Oswaldo Justiniano, aka "Sacate or Cabezon," a Navy captain who was expelled in disgrace.

Brazil

Malan 'Practically' Rules Out Joining Plan To Aid Mexico

PY0203030095 Sao Paulo AGENCIA ESTADO in Portuguese 2159 GMT 1 Mar 95

[Report by AE Washington correspondent Paulo Sotero]

[FBIS Translated Text] Washington, 1 Mar (AE)—Brazilian Finance Minister Pedro Malan today practically ruled out the possibility of Brazil taking part in an international plan to assist Mexico, either through a group of South American countries or through the IMF. Malan gave a news conference to Brazilian correspondents at the Brazilian Embassy in Washington to mark the first anniversary of the launching of the URV [Real Value Unit], the reference value that preceded the implementation of the Real Plan, which has been in force for eight months and has led Brazil toward stability. Malan said: "The fight against inflation has not yet concluded, and our final success will depend upon the approval of the constitutional amendments."

Malan said: "Yet, without triumphalism, we may certainly state that this stabilization plan has been more successful than the previous ones one over the same period of time."

Without giving any indication that the government might be changing its exchange policy, Malan reiterated that Brazil has neither a fixed exchange rate nor a system of maximum and minimum rates. He said: "The exchange rate should be freely set by the market, but subject to intervention by the Central Bank [BC], as it is done in most countries." He again rejected allegations that the real is excessively overvalued. He recognized that it is somewhat overvalued, but it is not possible "to adequately determine" by how much. He noted that, aside from the impact of interest rates, the exchange rate is largely being determined by the market because "the BC has not strongly intervened with regard to the exchange rate since 22 December."

Denying speculation that his tenure as finance minister will be short-lived and that he will be getting ready to take a post in Washington, Malan confirmed that his family will be moving to Brasilia in June, when the school year ends in the United States. His second wife and their two children had stayed in Washington in 1993 when then Finance Minister Fernando Henrique Cardoso transferred him from his post as Brazilian representative to the World Bank to that of BC president.

Commenting on the much-advertised Brazilian participation in the rescue operation for Mexico, which has even provoked announcements about the formation of a CPI [Congressional Investigating Committee], Malan said that the announcement made by Argentine President Carlos Menem in Davos, Switzerland on 27 January "was premature." On that occasion, Menem announced that Argentina, Brazil, Colombia, and Chile would make available a $1 billion line of credit for Mexico. Malan said that "at no time has a decision been made or the value of the Brazilian contribution specified." Menem went as far as saying that Brazil would contribute $300 million. Malan said: "Frankly, this kind of contribution will not be instrumental in resolving or settling the Mexican situation." He added: "Participation would be worthwhile only within the framework of a much larger cooperative effort that would include some dozens of central banks, but I would rather not speculate."

Malan said: "Brazil may or may not participate." His subsequent explanations indicated, however, that the latter possibility is more likely. Malan noted that a preliminary discussion on the possible participation by Brazil and by other countries was prompted by Washington, when the Clinton administration attempted to show the U.S. Congress that a solution to the Mexican crisis was not

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only in the best interests of the United States and to persuade the Congress to approve a $40 billion package of guarantees for Mexico. In light of the reluctance on the part of the U.S. Congress, the plan was abandoned and replaced by a $20 billion U.S. line of credit, suppplemented by IMF loans and by the Group of 10 through the International Settlement Bank.

Upon announcing the $17.8 billion credit granted by the IMF early in February, IMF Managing Director Michel Camdessus said that he was counting on a contribution by Brazil and by other developing countries to supply $10 billion, which has not yet been disbursed and which the IMF plans to make available for Mexico in April.

Malan said that discussions in this respect continue and that "nothing has yet been decided." He noted, however, that there is a major technical difficulty regarding the term of the loan, because Brazil would be willing to consider granting a loan that should be repaid within a very short term, under the same terms and guarantees announced by the developed countries, while the $10 billion IMF credit would be a medium-term loan. Malan, who was initially planning to return to Brasilia today, has revised his schedule and may stay in Washington until 3 March to continue his contacts with the World Bank and other multilateral organizations. He announced that a regular IMF mission will come to Brazil in the next few weeks to evaluate the country's economy. He said: "This will not be a team of negotiators."

Malan also reported that during the April meeting of the IMF acting committee, he plans to further the discussions he had started with Camdessus about the creation of an IMF mechanism to defend member countries from speculative movements against their currency. He said: "This idea was not inspired by the Mexican crisis. It is an old idea on the part of the Brazilian Government, the significance of which has been reinforced by the Mexican crisis."

PRC Case Said To Show Need for Intellectual Property Law

PY0203034295 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 28 Feb 95 p A3

[Commentary from the "Notes and Information" page: "The United States Defeats Chinese Pirating"]

[FBIS Translated Text] The U.S. deadline was extended by 10 hours to prevent Washington from imposing the respective sanctions on Beijing as long as the latter agreed to respect the law on intellectual property. This decision has opened the world's largest market and could even enable China to join the World Trade Organization [WTO]. In the meantime, this development has brought to the fore something that cannot be ignored: Brazil continues to be one of the few countries that have not yet approved a similar law, and thus it is violating the GATT accords and could cause Washington to impose economic sanctions on us.

China realized a $5.3 billion trade surplus in 1994, but this surplus largely stemmed from exporting pirated products. Foreign brand products were being sold in China at unbeatable prices: compact discs of foreign music could be purchased in Beijing at a price equivalent to $1.20 each and Reebok or Puma tennis shoes at $18 per pair. Furthermore, Adidas sportswear and all kinds of computers—of unspecified origin—were beginning to flood all markets. Production of pirate CD's alone in southern China was causing a $1 billion annual loss to the United States.

The U.S. Government had set 26 February as the deadline for Beijing to sign the agreement on intellectual property. Earlier, the Chinese had already given signals that they intend to reduce piracy by confiscating some products copied from foreign countries without payment of royalties, and deciding to shut down, in response to a U.S. suggestion, the 29 companies that had been producing pirate CD's. The agreement was signed on 26 February.

Consequently, China has given other countries the possibility of making large deals by offering to pay them royalties in exchange for a license to manufacture their products. This type of agreement will be interesting for China because it could manufacture products at a lower cost, taking into account the cheap labor available in the country. This means that the next issue with China will be "dumping." Several countries have already managed to sign private agreements on technology transfers: If a law providing a generalized respect for intellectual property is approved in China, these technological transfers will increase and China will acquire greater economic power. Furthermore, this will eliminate one of the main hurdles for China to join the WTO, which will certainly expand Chinese exports and will enable importers of Chinese products to better fight dumping.

As we can see here, it would be in the best interests of Brazil to expedite the voting on its law on intellectual property. It appears that the date set for the Brazilian president's visit to Washington will mark the end of Washington's period of tolerance.

General Costa Ramos Appointed Eastern Command Chief

PY0203115795 Sao Paulo AGENCIA ESTADO in Portuguese 2227 GMT 1 Mar 95

[FBIS Translated Text] Brasilia, 1 Mar (AE)—Acting President Marco Maciel today appointed General Abdias da Costa Ramos as head of the Eastern Military Command, replacing General Edson May, who retired. The Eastern Military Command has jurisdiction over the states of Rio de Janeiro, Minas Gerais, and Espirito Santo. Gen. May will become a member of the Superior Military Court (STM). May participated in the investigation of the electoral fraud in Rio de Janeiro that resulted in the cancellation of the election of federal and state deputies, as well as in Operation Rio, directed against violence and drug trafficking in the state.

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Plan Estimates Investment Needed by Mining Sector

PY0103164295 Rio de Janeiro O GLOBO in Portuguese 28 Feb 95 p 13

[FBIS Translated Text] Brasilia—To sustain the growth of its economy without having to once again import minerals, Brazil will have to invest $35 billion in the mining sector by 2010. This estimate is based on a 5 percent rate of growth for the Gross Domestic Product (GDP). These figures are part of the Multiannual Plan for Development of the Mining Sector, drawn up by the National Department of Mineral Production (DNPM).

The plan, which covers the 31 mineral substances that are most widely used in industry, takes into account the growth estimates and the need for Brazil to preserve its position as an exporter of mineral resources.

"In some cases we could return to our position as an importer of raw materials, something that has not occurred in several years," said Breno Augusto dos Santos, secretary of mines and metallurgy of the Ministry of Mines and Energy.

Investment in prospecting dropped from an annual average of $160 million in the 1980's to $65 million as of 1989.

Patent Law Awaiting Study by Senate Commissions

PY0103174295 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 28 Feb 95 p B6

[Article by Aldo Renato Soares]

[FBIS Translated Text] Brasilia—It will be difficult for President Fernando Henrique Cardoso to have Congress approve the industrial property bill (Patent Law) before his trip to the United States on 20 April. PMDB [Brazilian Democratic Movement Party] Senator for Paraiba Ney Suassuna, rapporteur of the bill within the Constitution and Justice Commission, should submit during March a proposal to modify the bill, which was approved by the Chamber of Deputies in June 1993. If the Senate approves the proposal, which takes into account the changes of the Uruguay Round of talks within the General Argeement on Trade and Tariffs (GATT), the bill will return to the Camber of Deputies.

Cardoso told PFL [Liberal Front Party] Senator for Espirito Santo Elcio Alvares, the government leader in the Senate, that he would like the bill to be approved before his trip. The approval might be a political victory to show to President Bill Clinton. In 1988, the U.S Government imposed commercial sanctions on Brazil on the grounds that Brazil had no laws to protect patents. Surtaxes of 100 percent were imposed on some Brazilian products.

The agreement between the parties for approving the bill was so broad that the text did not please the "liberals," like PPR [Progressive Renewal Party] leader for Rio de Janeiro Roberto Campos, or the "nationalists," like PC do B [Communist Party of Brazil] leader for Sao Paulo Aldo Rabello. In the Senate, the bill was delayed by the work of the Budget CPI [Congressional Investigating Committee]. In addition to the CPI work, two senators who had begun to work on the bill were designated ministers by President Itamar Franco.

At that time, Alvares did not even have time to look at the bill, as he was holding a ministerial post. The same thing happened with PSDB [Brazilian Social Democracy Party] leader Ceara Beni Veras. PMDB leader for Paraiba Antonio Mariz, the rapporteur of the Constitution and Justice Commission, was elected governor, while PSDB leader for Parana Jose Richa, the rapporteur of the Economic Affairs Commission, ended his term. Suassuna, as Mariz replacement, inherited the post of rapporteur.

His report should be submitted to the Commissions of Constitution and Justice and of Economic Affairs. After approval, it will be voted on during a plenary session. Yet it should return to the Chamber of Deputies for a new vote.

Chile

Investors Label Argentine Economic Measures Positive

PY0203115595 Madrid EFE in Spanish 1647 GMT 1 Mar 95

[FBIS Translated Text] Santiago, 1 Mar (EFE)—The main Chilean investors in Argentina expressed today their satisfaction with the fiscal austerity measures announced by the Argentine Government. They said the measures are positive because they definitely put aside the specter of devaluation.

The possibility of a Mexican-style devaluation caused concern among Chilean investors and businessmen because Chilean investments in the Argentine market since 1990 exceeded $2 billion.

Jose Yuraszeck, president of Enersis, which is the main share holder of Edesur [Southern Greater Buenos Aires Power Company], said the cut of $1 billion in Argentine fiscal spending represents an effort to normalize the macroeconomic situation, which he believes has substantial differences in comparison with the situation that affected Mexico in late 1994.

In comments to the local press, Yuraszeck said: "This is a crisis of confidence. The measures are adequate for overcoming successfully the difficult moment created by the violent devaluation of the Mexican peso, which had Argentina has its main victim in the region."

As a demonstration of the confidence in the Argentine plan, Yuraszeck said that if the Argentine Government decides to privatize the remaining 30 percent of Edesur, his company entity, Enersis, which has 5.8 percent of the Edesur assets, will participate in the bidding for the remaining 30 percent.

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Carlos Lizana, president of the Industrial Development Association (Sofofa), said the Argentine plan "is courageous" and will contribute to economic stability for a prudent period of time. He added, however, that in the medium term "Argentina will have to implement a gradual devaluation."

Lizana pointed out that the reduction in public spending will allow greater participation by the private sector, "which is the traditional path toward progress." He added that Chilean investments in Argentina are not in jeopardy "because they are long-term investments in the most solid sectors of the economy."

Antonio Manzur, general manager of the Uniumarc and Cidef companies, which have a chain of supermarkets and auto dealerships in Argentina, said the current situation has not changed these companies' plans to start six other businesses this year and next.

The adjustment will reduce the demand for durable goods, "but not as concerns the supermarkets, because even if there is a shortage of money, people must continue to eat," said Manzur, in agreement with Mario Bustamante, general manager of Parque Arauco, which is the company that built a large shopping center in Mendoza, Argentina.

Bustamante said: "The investment was already made and the only possibility of suffering serious damage would be if Argentina experiences a recession, which is quite improbable." He added that Parque Arauco is continuing with its project to build another shopping center in Buenos Aires.

U.S. Decision in Grapes Case Called 'Shameful Verdict'

PY0203035795 Santiago LA TERCERA DE LA HORA in Spanish 8 Feb 95 p 3

[Commentary by Pedro Calvo: "Grapes: A Shameful Verdict"]

[FBIS Translated Text] By seven votes to six, a U.S. jury has turned down Chile's claim for compensation for the damage caused by what has been—we are convinced of this—the fraud of the cyanide-laced grapes.

In my opinion, this was a shameful, senseless, and illogical decision.

Everything is known in this case: The perpetrators of the analysis; the place; the date; the material that was used; the analysis documents; the administrative resolutions; and the participation of the Food and Drug Administration, the Agriculture Ministry, and the U.S. Government. The evidence provided by technical institutions, universities, and lawyers is also known. This means that the perpetrators, the facts themselves, and all the circumstances are known in detail.

This is not a case in which an investigation must be carried out to find the perpetrators, reconstruct the scene of the crime, summon witnesses, confront witnesses, question, etc. to try to find out the truth. No. The facts here have been appropriately described in public documents in which the perpetrators are known. What must be judged here is whether the known facts were true or a fraud.

In the face of this disjunction, it cannot be that seven jury members say—with other words, but clearly—that the grapes were poisoned in Chile and six others say the opposite.

A decision of this kind over a laboratory fact that has been appropriately described in legal documents goes against all logic. It cannot be that a trivial physical fact and a routine laboratory analysis can be white for some jury members and black for others. This is the real issue.

Other explanations, such as the fact that a ruling must not be changed, that the decision of an institution must be maintained no matter how, that otherwise its prestige will be affected, is what we in Chile call not honoring truth.

I am an admirer of the many good things the United States has contributed to the international community: Its democracy, music, literature, its universities, scientists, technology, athletes, its free press, its struggle for the respect of people, etc.

This is why I cannot understand this absurd verdict. Thirteen to zero in favor of any party I would understand. However, seven to six sounds like irrationality and mockery.

Colombia

Ministers, Officials React to U.S. Certification

Samper, Valdivieso Comment

PA0103232395 Madrid EFE in Spanish 2159 GMT 1 Mar 95

[FBIS Translated Text] Santa Fe de Bogota, 1 Mar (EFE)—Colombian President Ernesto Samper said today that his government will continue fighting against drug trafficking but with the condition that each country's sovereign right to set its own policy against drug trafficking will be respected.

The Colombian Presidency released a communique with this statement by Samper in Montevideo—where he attended the inauguration of Uruguayan President Julio Maria Sanguinetti—referring to a certification on Colombia's struggle against drug trafficking that U.S. President Bill Clinton requested from the U.S. Congress today "for national security reasons."

According to the communique, Samper reiterated that his country "has paid one of the highest prices in lives and money" because of drug trafficking.

Samper said that Colombia "is willing to wage this battle with all the nations that want to join the effort, but always on the basis of respect for each country's right to set its own policy against drug trafficking and with the establishment of a cooperative scheme instead of a unilateral one."

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For his part, Colombian Prosecutor General Alfonso Valdivieso said that the conditional "certification" that Clinton has requested from the U.S. Congress "is a blow to Colombia," even though it does not represent a loss of the economic aid that Washington is giving Colombia for its battle against drug trafficking.

Valdivieso said: "This cannot be simplified with the argument that this is a unilateral determination, even if the aid will not be lost." Valdivieso stressed that "in any event, this has an impact; it is a slap in the face following the actions that the country has taken in this regard."

However, Valdivieso said that "every crisis situation also offers opportunities," and warned that "Colombia's reaction should not be one of nationalism."

Valdivieso stressed: "It is important to take advantage of this situation to reconstruct trust in the relationship between our two countries. We need each other, and each country should assume the corresponding role for a more determined action regarding the trafficking, production, and—even though this is less obvious—the consumption of drugs."

President Clinton decided to ask for "certifications" for national security reasons for Bolivia, Colombia, Paraguay, and Peru, even though they are not being sanctioned. The President said that they "are not struggling hard enough against drug trafficking."

According to observers, a request for congress not to "certify" Colombia's struggle against drug trafficking would have represented the loss of only $16 million in 1995, but the trade repercussions would have been much greater.

Samper Reacts to 'Unilateral Actions'

PA0203014995 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 2 Mar 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] President Ernesto Samper, who is currently in Uruguay to attend President Julio Maria Sanguinetti's inauguration, was the first to react to the U.S. certification decision this morning.

[Begin Samper recording] Colombia, which is a country that has paid some of the highest economic costs in this fight against drug trafficking, is willing to wage this battle with every country wishing to join the effort based on respect for the sovereign right of each country to adopt its own drug policy. We are hoping for cooperation, not for unilateral actions. [end recording]

Valdivieso: Decision 'Harms' Country

PA0203014295 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 2 Mar 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] Prosecutor General Alfonso Valdivieso—a favorite of the gringos who have always lavished him with praise—has also backed away from the U.S. decision.

[Begin Valdivieso recording] I believe we must view this certification in its proper perspective as an autonomous, unilateral decision. We must admit that this undoubtedly harms our country and consequently we cannot be pleased with it. On the contrary, we must say we are unhappy with it. However, I believe that if we allow a nationalistic attitude to prevail, especially one of extreme nationalism, it might represent a clear-cut benefit in favor of the criminal cartel organizations. [end recording]

Pardo Hopes Ties Not Affected

PA0203020595 Santa Fe de Bogota Emisoras Caracol Network in Spanish 2150 GMT 1 Mar 95

["Special Report" by Gustavo Lasario from the Foreign Ministry in Sante Fe de Bogota]

[FBIS Translated Text] Foreign Minister Rodrigo Pardo has said our government hopes that relations between Colombia and the United States will not be affected by today's certification decision, adding that relations are completely normal at this time. He stressed that Colombia will seek international cooperation from the EU and the United States to strengthen its fight against drug trafficking. He said the country is convinced that the Vienna Convention on Drugs and Psychotropic Substances, which the Colombian Congress has ratified, should be implemented. Minister Pardo spoke with Caracol.

[Begin recording] [Pardo] This national interest certification, as internal U.S. legislation has called it, has the same legal effects as the full cooperation certification granted to other countries. It has no legal, political, or other effects on trade, credit, economic relations, or any other type of relations. It allows us to maintain normal relations with the United States. Nevertheless, we must acknowledge that we are going through a difficult period, considering the United States has, for the first time, changed Colombia's standing within the so-called certification process.

[Lasario] Mr. Minister, you recently said this certification could imply a loss of trust between the two countries. Does the Colombian Government agree with you on this point?

[Pardo] It does mean a change in the foundations of our relations up until now. As we said in the Foreign Ministry statement we released earlier today, the Colombian Government hopes that this change will not entail a change in the country's ability to receive cooperation or a change in the way we have been working up until now.

[Lasario] Does this certification have anything to do with the ongoing efforts to modify the submission to justice policy? Will it affect this policy?

[Pardo] This certification process is part of a domestic process going on within the United States. Colombia has its own drug trafficking policy, based on the president's

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conviction that this is a national security issue that must be met head on with all of our political will and determination, as we say in today's statement. We will continue to press ahead with the policy that President Samper has drafted—a policy he described in his 7 February address—convinced that it is the best policy and convinced that the country needs it. We hope we can carry it out with the cooperation of the United States and other countries. We will look for allies who are ready and willing to work with Colombia, and we are willing to look wherever we must in order to find them.

The reforms we are working on regarding the government's submission to justice policy are not in response to a request from the United States or any other foreign country, but, rather, they are in response to Colombian public opinion and to the Colombian people. They are the ones who believe that the policy has allowed certain traffickers who have surrendered or who have been arrested to receive very light sentences.

[Lasario] Where did Colombia fail? What led the U.S. not to certify that we have been effective in the fight against drug trafficking?

[Pardo] I do not believe Colombia has failed. I believe Colombia has the best drug trafficking policy. The thing is that political circumstances in the United States have changed. They have just held an election that created a different atmosphere there. We cannot deny the fact, however, that international cooperation has failed. In the same way that drug supplies have increased, so has consumption, money laundering, and other drug trafficking activities that do not take place in Colombia. They are taking place in other countries. [end recording]

Attorney General: Decision 'Unfair'

PA0203145595 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 2 Mar 95

[Interview with Attorney General Orlando Vasquez Velasquez by announcer Dario Arizmendi; date and place not given; from the "Caracol's 0600 to 0900" newscast—live or recorded]

[FBIS Translated Text] [Arizmendi] Mr. Attorney General, good morning.

[Vasquez] Good morning, my dear Dario.

[Arizmendi] What do you think of the U.S. President's decision? Is it fair, unfair, or arbitrary? Does the United States have the moral authority to grade such countries as Colombia, Peru, and Bolivia, among others, the way it graded them?

[Vasquez] The reaction of the country and all its institutions is very clear. National solidarity and respect for political autonomy on the decisions our government makes while we strengthen the concept of local sovereignty, as we have done so far, once more show us that the country remains firm before its institutions. There is nothing more unfair than what the U.S. Government has done as it ignored a reality that no one in the world can ignore. No society has fought a battle the way Colombian society has, a battle in which its most illustrious children have fallen prey to the slaughtering bullets of criminal organizations. This battle has now been ignored. However, we believe that a strong diplomatic move on the part of our government could give us hope that other governments and states could [words indistinct] this fight, which Colombia cannot win on its own. It needs the help of other authorities and other governments.

[Arizmendi] Mr. Attorney General, who benefits from the decision made by the U.S. Government?

[Vasquez] Obviously, it does not benefit the good people of Colombia, those people who still believe institutions could be restored not only through their own efforts but also through the much needed cooperation of the other governments that hopefully believe in the restoration of our normal existence.

Government Minister Expresses 'Regret'

PA0103234695 Santa Fe de Bogota Emisoras Caracol Network in Spanish 2117 GMT 1 Mar 95

[News conference by Government Minister Horacio Serpa Uribe with an unidentified moderator and domestic reporters at the Government Ministry Building in Santa Fe de Bogota—live relay]

[FBIS Translated Text] [Serpa] You have already seen the declaration the Colombian Government has issued. Before answering questions you may want to ask on this matter, I just want to make a few brief comments. First, we again regret the U.S. Government's decision, because it in no way corresponds to the Colombian Government's efforts or the sacrifices the Colombian people have been making, and not just now—of course, now these efforts are more aggressive—but for many years Colombians have been striving to curb drug trafficking, to arrest drug criminals, and to provide Colombia and the world with the best possible results with this end in mind.

Second, we again point out that the war against drug trafficking is a matter of national concern for the government of President Ernesto Samper Pizano. What we heard today is discouraging, to put it one way, but the Samper administration, at all levels and with each and every member, will continue fulfilling its duty with devotion, zeal, dedication, hard work, and the sacrifice of our own (?people) to continue dismantling criminal organizations in order to continue eradicating illicit (?businesses) in an effort to combat these abominable demonstrations of crime [words indistinct] President Samper.

Third, this government headed by President Ernesto Samper has provided sufficient proof to Colombia and the world of its political commitment regarding the war on drug trafficking. We have resumed spraying illegal crops. We have dismantled laboratories. We have hounded drug trafficking criminals. At appropriate times, we have fought

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in Congress bills that ran counter to these government policies. We have taken actions to fight money laundering.

In sum, the decisions, clear actions, and commitments in terms of this matter show everyone the unyielding decision by President Samper and his entire government to fight drug trafficking. The world knows this. The U.S. Government authorities know it too. Most of all, the Colombian people know it, because we are [words indistinct] who can attest that the efforts by the Colombian Government in its war against drug trafficking are those of Colombian people, our countrymen, who on many occasions have had to make enormous sacrifices in such a [word indistinct] struggle.

It is also necessary to mention something President Samper has expressed with total clarity. Colombia is not, as some want to depict it abroad, a country that makes nations of other latitudes victims of drugs. No, the people of Colombia, our country, are victims of drugs. We are the ones who have to suffer the consequences for the drug consumption that takes place in other nations of the world.

In conclusion, as an encouraging, stimulating, [words indistinct] the Samper administration is highly satisfied to see the demonstrations of national unity that have been taking place recently, and especially today, right now, by all Colombians.

Today, Colombians are rallying around their fatherland, they are rallying around Colombia. Today, and above any political consideration, or considerations of any other type, they are also rallying around the government. They are standing behind President Samper, which undoubtedly gives us great satisfaction. I will be glad to answer your questions at this time.

[Moderator] A question from [name indistinct] of RCN.

[Reporter] Mr. Minister, the country would like to know, once and for all, what the practical scope is of the decision reached this afternoon by the United States and what the government fears about similar decisions in the future?

[Serpa] Undoubtedly this is a destabilizing element. It is a means of coercion—unfair coercion, I might add—of the Colombian Government. This national interest nature of the certification means that there will be no, for lack of a better word, economic reprisals, nor will there be any change in policy in the international banking sector, and so on. However, this is an evaluation we do not deserve. This is why we have [word indistinct] and deeply regret this decision adopted by the U.S. Government, which does not in the very least reflect the enormous effort of the Government and people of Colombia in their fight against drug trafficking.

[Reporter] Does the government fear other similar decisions on this matter?

[Serpa] No. We will continue to work with the same openness, the same patriotism, the same honesty as we have up to now. We are at peace because we know that we have done our duty, so we fear no further decisions such as this.

[Moderator] A question from Juan Dario Lara from Caracol and then Azucena Payares from the "24 Hours" newscast.

[Lara] Good afternoon, Mr. Minister. The United States only speaks ill of Colombia. They did not mention the good things that have been done in the fight against drug trafficking. Is this past year not enough to prove to the United States and the world that Colombia is capable of defeating the drug cartels and eradicating them from the country? My second question is: Will Colombia present some kind of strategy in the 45 lines it is taking before the U.S. Congress to make the U.S. certification [word indistinct] one without conditions?

[Serpa] The Colombian Government will be ready to offer whatever information may be required if the debate does reach the Congress, in order to ensure that the decisions they reach reflects our country's real situation. Of course, we will present it with conviction, objectiveness, and with the cordiality that the situation demands. At the same time, however, we will display firmness consistent with our conviction that we are doing things the right way. We must make it clear to Colombia and the world that this is a unilateral ruling by the U.S. Government. Colombia has a commitment with the world to fight drugs, but this is a commitment that also belongs to many other countries around the world, which must also deal with this phenomenon. This is an international phenomenon. In some places they grow coca and marijuana plants. In other places they process the material. In other countries they produce the chemicals used in the processes. The airplanes used to transport the drugs come from other countries. In still other countries there are more drug kingpins. Finally, the drugs are consumed in many other countries. It is inconsistent, to say the least, it is a paradox for a country, where there are 30 million consumers of illegal psychotropic substances—almost the total population of our country—to unilaterally reserve the right to issue evaluations such as the one we are examining at this news conference today.

[Payares] Mr. Minister, you said that the certification basically means, among other things, that there will be no commercial reprisals against Colombia. What must we present to the United States during the year to pass the certification test in 1996?

[Serpa] We are doing our duty and we will continue to do so. We will not be discouraged. We will continue with our relentless struggle against the drug cartels, we will continue to destroy crops, we will continue to destroy laboratories, we will continue to disrupt transportation routes, we will continue to create the legal instruments to make justice administration more efficient, and we will continue to promote a positive attitude regarding money laundering. Our performance has been good, of this we are convinced, and we will continue to fulfill our duty. The Colombian

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people can be absolutely sure that the government of President Samper will not fall short of its commitment to you or to the world.

[Moderator] Question from Florencio Sanchez of "90 Minutes." Jose Ramirez is preparing the next question.

[Sanchez] Good afternoon, Mr. Minister. Has the Colombian Government studied, analyzed the possibility, the option of rejecting this conditioned certification from the United States—or at least of not accepting it?

[Serpa] The government's declaration obviously entails a rejection of the decision adopted by the U.S. Government, but we are frequently asked if the government will reject the economic aid that the United States has been giving. In fact, it is very small—$15 million or $16 million—while the Colombian Government spends more than $1 billion a year in the struggle against drug trafficking. We will evaluate this situation.

Nevertheless, we must be very clear about the following: The fact that a country renounces the aid does not mean the criterion under which the U. S. Government unilaterally handles the issue of the certifications precludes it. Do I explain myself? There are countries that have renounced this aid, but the U.S. Government nevertheless includes those countries in the annual analysis that it carries out to decertify them, give them a full certification, or give them a certification based on national interests. That is why when a country renounces the aid this does not necessarily mean it is left out of the analysis.

[Ramirez] Good afternoon, Mr. Minister. Will Colombia begin any international contacts with multilateral organizations or the European Community to lessen the negative effects that the United States' decision has on the country's image?

[Serpa] What Colombia will do is to continue seeking allies in the different countries of the world for the struggle against drug trafficking. The U.S. Government today, quote, confers, unquote, us a certification based on national interests, but many countries in the world recognize the great efforts and sacrifices that the Colombian Government and people have been making in the struggle against drug trafficking.

Now then, if we were dealing with unilateral opinions, we could also say that we are in no way satisfied with the United States' behavior concerning the control of consumption, for example. The media reported today that the University of Michigan has just concluded a survey that shows that the consumption of narcotics in the United States has increased 40 percent in the last two years. Therefore, we are not satisfied with what the United States is doing concerning consumption.

We could also argue something else. It has also been recently reported, in very respectable international publications, that one of the most important agricultural products in the United States, one of the products that generates the most money in the United States, is marijuana. There are vast marijuana fields in the U.S. national parks, in the federal parks, and I have yet to hear any reports that a single hectare of marijuana has been sprayed with glyphosate in the United States. That is why I say the United States always finds it easier to see someone else's faults.

[Moderator] A question from Francisco Felix of EL TROPICO. Jorge Manrique prepares the next question.

[Felix] Good afternoon, Mr. Minister. Will the Colombian Government continue to wait for the United States' blessing in this regard every year?

[Serpa] We are involved in a struggle against drug trafficking because we know it is a duty, it is a [words indistinct], it is something we do to abide by Colombian law, to fulfill the pledge we have assumed in international treaties, to fulfill pledges we have assumed before the world. We will continue to fulfill them. We will fulfill them zealously, we will continue to fulfill them honestly, with great enthusiasm, and we will undoubtedly come out well ahead in this regard.

[Manrique] Mr. Minister, certain sectors in the country are already talking about the possibility of Colombia reviewing its drug policy this year [words indistinct] with the United States to clarify the rules of the game.

[Serpa] Colombia has a drug policy. Last month, if I remember correctly, President Ernesto Samper fully explained this. He said the Colombian Government has assumed the responsibility of complying with this policy and seeing it through to the end. Dr. Ernesto Samper Pizano has adopted this policy with patriotism and good judgment.

[Moderator] [Words indistinct]

[Reporter] Mr. Minister, through the development of the [word indistinct], the United States has been both judge and jury of the moral and immoral actions of many nations. How is Colombian sovereignty, as stipulated in our Constitution, being adversely affected? Can the national government resort to any international court to protest this certification?

[Serpa] The unity being demonstrated by the Colombian people is the best answer to the decision made by the U.S. Government. It is impressive to see how the members of Congress, journalists, the Church, community spokesmen, labor union leaders, and peasants are all speaking out today and are showing their support for the government and the country. It is a shame, and it is truly painful to see the attitude of certain Colombians—certain turncoats, I would call them—who, in an effort to hurt the government of President Ernesto Samper, have been inflicting great harm on the country, on the country's image, and on the country's integrity. This is one circumstance that is very painful.

[Reporter] Mr. Minister, [words indistinct] false nationalism because of this matter. Perhaps, all Colombians will

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become anti-imperialists. This might serve the interests of drug traffickers a great deal, but countries must have a sense of dignity, sovereignty, and self-determination [words indistinct]. Colombians must feel proud that there is someone who will stick out their neck for them, allowing Colombians to express themselves with dignity. We need a government that can face these extravagant U.S. accusations with dignity. Finally, why has the Samper government not responded to the [words indistinct] accusations that say the government of President Samper has links to drug traffickers and the Cali Cartel? [Words indistinct] These are serious accusations that coincide with the [words indistinct] of the United States. Why has President Samper not responded? Why do government officials not respond to [words indistinct]? Why does the government not file a lawsuit? There are criminal lawsuits, there are charges filed, why not [words indistinct]?

[Serpa] As the vice president of the Republic said a few days ago, the drug lords [words indistinct] instead of receiving solidarity from the U.S. Government, what we get is a type of disqualification. I believe those in the great northern nation must think very hard about this. In addition, we do not believe that it is appropriate to promote false nationalism, but today we are noting with great satisfaction that the Colombian people have gone out to seek respect for the fatherland.

This is stimulating. This is what fills us with the courage needed to continue struggling against drug trafficking and to continue (?firm) in the struggle against [words indistinct].

The communique from President Samper's government is a communique that encompasses all the dignity of the Colombian people. With an excellent choice of words and in a respectful manner as is fitting for the status of the national government, things have been expressed very clearly. Naturally, a response to each point, each affirmation contained in the document that served as the basis for the certification for national security interests is already being made by the different government representatives in the areas within each representatives' purview. We are going to continue doing this with determination, energy, and dignity, and in every case defending the supreme interests of the fatherland.

Now, why is the government not responding to certain things? To be frank, as members of the Samper administration, we are not interested in responding to yellow journalism. We are not interested in making dramatizing every insolent statement made—without any basis whatsoever—regarding the government's actions. We know how things are being distorted and the manner in which some Colombians—for the purpose of harming the positive image of Ernesto Samper or his government—are tarnishing Colombia's good name.

[Rodriguez] Justo Rodriguez, REUTERS. Who are these stateless Colombians?

[Serpa] People mention names, and as the saying goes, where there's smoke, there's fire.

[Moderator] [Words indistinct]

[Reporter] Mr. Minister, regarding your earlier answer. Does the person who turned over the narcocassettes to the U.S. Government have anything to do with this? And a second question: from this moment on, how will relations progress between Colombia and the United States?

[Serpa] The topic of the cassettes has been profoundly analyzed by the Colombian people and has been flatly rejected. In addition, it has been analyzed legally, not by one, but by two of the nation's prosecutors. On both occasions [words indistinct] regarding this has been made; but of course, there are those who permanently insist on beating to death a topic that is already [word indistinct]. Naturally, the result of this is the tarnishing of Colombia's good name and this series of suspicions and uncomfortable situations that we are rejecting in a firm manner.

[Reporter] Late last year President Samper announced the launching of [words indistinct] plan. [Words indistinct] now that we learned of this decision today, [words indistinct] reject that aid.

[Serpa] We are going to evaluate those circumstances. In any event, the president's response was the [words indistinct] matters that correspond to the government, and as I said before, this was done in sovereign manner. We are not going to continue struggling against drug trafficking because we are being forced to by other countries. We are struggling because we are convinced of the need for such a struggle, because we are convinced of the importance destroying [words indistinct] drug trafficking. Despite the things that have been said, we are going to continue—each time more effectively—to fulfill [words indistinct].

[Reporter] [words indistinct] President Samper to reject this conditional aid [words indistinct] why not reject it?

[Serpa] Let me reiterate: this is a situation that the Colombian Government foresaw. But there is also a mistaken impression that might be included in your interesting question. There are those who believe that countries that renounce this aid—which, I repeat, is very small—are removed from that unilateral procedure of the U.S. Government regarding certifications. This is not so. The U.S. Government has continued to include even those countries that have renounced the aid in the analyses required for this certification.

Vice President Sees 'Injustice'

PA0203015395 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 2 Mar 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] A number of other prominent individuals have commented on the topic of the day, among them Vice President Humberto De la Calle and business leaders.

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[Begin recording] [De la Calle] First of all, I believe there is an evident dose of injustice. Colombia is the country that has paid the highest price in the world in the struggle against drug trafficking. Second, in spite of this, I believe we must look at things with a cool head. We must not use our national outrage to attempt to cover up evident shortcomings, such as impunity, in our policy.

[Javier Diaz, former president of the National Association of Exporters] We are not satisfied with the manner in which the certification was granted, because it does not recognize the efforts that Colombia is making in its struggle against drug trafficking. We have to point out, however, that from the business perspective, and in particular from the perspective of our exports, this is not going to entail any repercussions or change in our trade relations. [end recording]

Government Cuts 1995 Budget $384 Million

PA0103144295 Paris AFP in Spanish 1435 GMT 28 Feb 95

[FBIS Translated Text] Santa Fe de Bogota, 28 Feb (AFP)—The Colombian Government has decided to cut the 1995 general budget by 307 billion pesos (approximately $384 million) to streamline spending, contribute to meeting goals of the Social Pact, and achieve macroeconomic goals like reducing inflation to 18 percent.

According to the Santa Fe de Bogota daily EL ESPECTADOR, the administration of President Ernesto Samper pledged to keep the fiscal surplus above 0.7 percent of the GDP, which has been indexed to the inflation goal and with which the government intends to halt the revaluation. In order to achieve these goals, the administration chose to implement minor increases in public services bills and gasoline prices, which in turn will translate into fewer revenues for the public treasury. The largest sacrifice falls to operating and investment spending, because the former will drop 150.2 billion pesos (approximately $188 million) and the latter 153.5 billion pesos (approximately $192 million).

Appropriated earnings for the payment of public debt were cut 3.4 billion pesos (approximately $4.2 million), 3.3 billion (approximately $4.1 million) of which correspond to foreign debt and 100 million pesos (approximately $125,000) to domestic debt.

Finance Minister Views Price Adjustments

PA2802024095 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 24 Feb 95

[Telephone interview with Finance Minister Guillermo Perry by Dario Arizmendi and an unidentified reporter in Santa Fe de Bogota; from "Caracol's 0600 to 0900" newscast—live]

[FBIS Translated Text] [Arizmendi] We welcome Finance Minister Guillermo Perry Rubio. Minister, good morning. We ask you, how does the government estimate or, rather, can the government deflect the 12-percent increase on gasoline and the 10-percent increase on cooking gas that President Ernesto Samper Pizano ordered last night on the cost of living?

[Perry] Well, very little and almost nothing, because most transportation price adjustments have already been implemented. In January, the country's cargo transportation [words indistinct] intercity mass transit also went up. In the big cities, in Santa Fe de Bogota, Medellin, Cali, Villavicencio, and Pasto, where 80 percent of the people live, major transportation price adjustments have already taken place. We do not have to wait for the incremental price increases we have had in the past precisely because the purpose of allowing adjustments in transportation prices first—and doing it in a gradual manner—and then raising the price of gasoline was to eliminate the incremental impact of the past.

[Reporter] Mr. Minister, your predecessor, Dr. Rudolph Hommes, has said that what the government of President Ernesto Samper has been doing until now is sweeping the dust under the rug, that the minute fuel prices rise the impact of that measure will be felt in the cost of living. Do you think Hommes is wrong?

[Perry] From afar one does not always understand things. What we did was to change the traditional relationship between gasoline price increases and transportation fare increases. Think of it in these terms: Today, gasoline prices rose. Who is hurt by it? Those of us who own a private vehicle and go to fill up at a gasoline station. We have to pay more. What happens to the other Colombians, the ones who ride the bus or do not own a car? Nothing. The bus owner has to pay a little more to fill up, but that is why since January he has been allowed to increase his fares and the same is true with taxis. That is, the anticipated fare increases we ordered already foresaw the fuel price increases. It was a very modest increase of just 12 percent, in line with our pledge in the Social Pact for Productivity, Price, and Salaries. This is one of the most important measures contained in the Social Pact, and that is how workers and businessmen understood it when they signed the Pact with the government. The idea was to solve completely the problem we had in the past. In addition, the taboo of the gasoline prices no longer exists. The price of gasoline will behave like the price of coffee; it sometimes goes up a little or drops a little, according to international gasoline price fluctuations.

[Arizmendi] Mr. Minister, then does that mean that if the international price of gasoline drops in the coming weeks or months, fuel prices could come down for the first time in Colombia's history?

[Perry] That is right. Just like what happened with the domestic price of coffee. You have seen it; at times it goes up and at times it comes down. The coffee growers have gotten used to it. The same thing is going to happen with the price of gasoline in the future. At any rate, the changes will be minor; changes of 1 percent less or a maximum of 1.5 percent for [passage indistinct] to guarantee we will not under any circumstances surpass an accumulated 18 percent in one year.

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[Arizmendi] But if the international prices do not go up, there will be no additional readjustment before 31 December 1995 either?

[Perry] No additional increases, that is right. Exactly, that is right.

[Reporter] With respect to mass transit, will fares go up automatically when fuel prices rise again, or are they frozen for the rest of the year?

[Perry] We have completely separated transportation fares from increases in gasoline price. That is the key to the decision—the complete separation of one from the other. Then what has to be done? For example, in Bogota Mayor Antanas Mockus spoke with transportation workers. Most of the increase, [words indistinct] 13 percent. There will be a very small additional increase in April. I think the increase will be around another 2 percent later on in September, so as to reach 18 percent when all three increases are added up. That way, each city has reached separate agreements with its mass transit systems to allow for increases in two or three phases on different dates, depending on the conditions of each city. In all, the increases will not exceed 18 percent a year anywhere. The first and biggest adjustment from 10 percent to 12 percent went into effect in January or early February almost nationwide.

[Arizmendi] Changing the subject, sir, people are very concerned because interest rates are still very high. The cost of money has not decreased as predicted and, apparently, the meeting that was held between financial sector representatives, the Banco de la Republica Board of Directors, and government spokesmen, have not yielded—at least during the current week—the desired objectives. What will occur now?

[Perry] No, we have seen more liquidity in the market this week. What's more, the Banco de la Republica reduced short-term intervention [intervencion] rates yesterday because it had enough liquidity and [words indistinct] in the market. Thus, I believe we have resumed a trend of moderate reductions. There was a strong drop in January; there was a 10-point drop from the one in December. What happened was that at the beginning of February, there was a moment, a week, where our liquidity dropped and later increased a bit. This changed the trend a bit but I hope it will be a temporary thing, a circumstantial situation. In part, this occurred because the banks' portfolio, which had been decreasing gradually as we had expected, suddenly increased. When this situation occurs, when banks increase their loans and go to the market and don't find enough funds and they have to fight for funds, interest rates increase. However, I believe we are all going to learn to manage such situations better. We will find an interest rate level that is lower than the current one and that will allow the economy to continue at the excellent rhythm of growth that it has had up to now.

[Arizmendi] What issues will the Banco de la Republica Board of Directors meeting, which you are going to attend in a few minutes, deal with?

[Perry] Dario, the Board meets every Friday and it covers a routine agenda that includes important issues. This time, we are reviewing an [word indistinct] of monetary parameters [corredores] for this year. That is, we have established a monetary goal for the year but the monthly monetary trend with the monetary [words indistinct] requires that we establish parameters. We are going to work on this. There are other similar issues. We are studying a few ideas on ways to better stabilize the interbank rate, which is the interest rate charged in operations between banks. This is the rate that varies most. We are studying the financial statements to find formulas to moderate those variations somewhat. These are the issues we will be discussing.

[Arizmendi] Easy issues. [laughs]

[Perry] What?

[Arizmendi] Very easy and simple topics.

[Perry] Yes, they are topics that are a bit abstruse.

[Arizmendi] Well, Mr. Minister, thank you for being with Caracol this morning and we hope you have a good weekend.

[Perry] Thank you.

Ecuador

OAS Envoy on Clinton Failure To Answer Letter

PA0203044795 Quito Voz de los Andes in Spanish 0300 GMT 2 Mar 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Quito—Blasco Penaherrera, the Ecuadoran ambassador to the OAS, termed as worrisome the U.S. Government's position on the Ecuadoran-Peruvian conflict.

Contacted over the telephone in Washington by an Ecuadoran newspaper and asked why U.S. President Bill Clinton has failed to say anything about a letter that his Ecuadoran counterpart, Sixto Duran-Ballen, recently sent him, Penaherrera said maybe President Clinton is too busy.

Penaherrera did not mention the contents of the letter during his telephone conversation. Nevertheless, the Ecuadoran ambassador ruled out the possibility that the U.S. Department of State is not acknowledging the letter because of economic interests and Peru's mining concessions to U.S. companies. This is groundless speculation that should not be taken into consideration, he said.

Penaherrera also insisted that the border problem between Ecuador and Peru cannot be handled directly by the presidents of those countries because this is impossible and illogical.

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Thus, he explained, his proposal to bring together Duran-Ballen and Peruvian President Alberto Fujimori is only valid if it can be carried out once the conflict is solved, rather than to solve it.

Although the OAS sanctions carry only moral weight, Penaherrera said that their announcement, as well as other resolutions from its Permanent Council, have forced Peru to accept things it did not want or could not accept.

President Hopes Peru Complies With New Cease-Fire

PA0203163795 Quito Voz de los Andes in Spanish 1430 GMT 2 Mar 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] President Sixto Duran-Ballen has admitted he hopes Peru this time will comply with the cease-fire agreement signed in Uruguay. Duran-Ballen maintained it is now time to seriously think about peace and put aside this absurd conflict. However, he insisted Ecuador did not attack anyone but was attacked. It demands that Peru honor the peace commitment it made.

Foreign Ministry Hopes Peru To Honor Agreement

PA0103190795 Quito Voz de los Andes in Spanish 1700 GMT 1 Mar 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] The ratification of the peace agreement between Ecuador and Peru in Uruguay in the last few hours coincided with the gradual silencing of weapons in the Amazon jungle. This has again sparked hope that the conflict is closer to a solution that to an escalation.

The new Ecuadoran-Peruvian commitment for an immediate and effective cease-fire comes after a similar agreement was signed in the Brazilian Foreign Ministry 12 days ago. That agreement was known as the Itamaraty Declaration. Only Ecuador complied with that agreement. Peru violated that declaration, dimming the rays of hope on that occasion.

On this occasion, the Ecuadoran Government states once again that faithful to its pacifist spirit, it maintains its willingness to observe the agreed cease-fire and hopes the Peruvian Government will honor the commitment it made when it signed the Itamaraty Declaration. This is according to a communique issued in Quito by the Foreign Ministry shortly after the signing of the Montevideo Declaration.

There is apparently no lack of political will to end the armed conflict. Meanwhile, on the military front that willingness is also present despite the alarmist announcement and fears of a all-out war and the acknowledged violation of the cease-fire by Peru. This is confirmed by the reports of the international observers who have reached the battlefront and by the sporadic clashes of recent days. The cease-fire was agreed upon as a step before the holding of a constructive dialogue to consolidate peace, the document signed by Ecuador, Peru, and the four guarantors of the initial cease-fire agreement states. The four are also guarantors of the 1942 Ecuadoran-Peruvian border treaty.

Defense Minister Pleased With 'Victory'

PA0103130395 Quito Voz de los Andes in Spanish 1200 GMT 1 Mar 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Ecuadoran Defense Minister General Jose Gallardo is pleased with the military victory Ecuador won during the 30 days of war-like confrontations at the source of the Cenepa River. Minister Gallardo once again emphasized that Ecuador is holding its positions and that its national flag is flying over the military detachments of Tiwinza, Base Sur, and Cueva de los Tayos. He pointed out that Peruvian military chiefs are telling lies every day for obvious reasons, since Cueva de los Tayos, Base Sur, and Tiwinza are under our control. They do not want to tell their people about the military defeat they suffered during the conflict.

In expressing his pleasure with the new peace agreement signed on the night of 28 February in Montevideo, the defense minister emphasized the Ecuadoran people's aspirations for peace and prosperity.

Meanwhile, the Joint Chiefs of Staff report that troops from the two countries have clashed sporadically in the last few hours. They explain that patrols from the two parties usually clash in face-offs that occur while they are guarding the area. The Army also reports that Peruvian troops continue to infiltrate Ecuadoran territory, which is a provocation.

In the meantime, high-ranking military leaders on the Joint Chiefs of Staff have congratulated the soldiers defending the national border. Radio stations in the Amazonian region are broadcasting these messages of support on a daily basis. Soldiers listen to the messages, and their hearts swell with optimism and patriotism.

Praises Peace Agreement

PA0203040295 Quito Voz de los Andes in Spanish 0300 GMT 2 Mar 95

[From "The Voz Andes Newscast"]

[FBIS Translated Excerpt] Ecuadoran Defense Minister Jose Gallardo has said the signing of the ratification of the peace agreement has calmed Ecuadoreans. He reiterated the Ecuadoran Army's commitment to comply with the agreement. He said all Ecuadoreans long for peace and the Ecuadoran Army is willing to gather in Coangos in order to create a demilitarized zone in the presence of civilian and military observers. The leader of the military told journalists, however, that the decision to concentrate in Coangos in no way indicates that Ecuador is afraid of a clash or a treacherous attack by the Peruvians. [passage omitted]

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Promises Vigilance in Ensuring Accord

PA0103155595 Quito Voz de los Andes in Spanish 1430 GMT 1 Mar 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Ecuador is in a position to continue resisting in the event that the Uruguay peace agreement fails to end the confrontation between Ecuador and Peru, Ecuadoran Defense Minister General Jose Gallardo said today.

Asked about what would happen if the Uruguay peace agreement, signed last night, is not honored, as happened with another commitment signed 12 days ago, Gallardo said: Every day we are more and more prepared to continue resisting. We have prepared ourselves in the conflict zone and throughout the country to resist and defend ourselves in such a way that fighting will not cost the country too dearly. But such a war would be very costly for the enemy.

Ecuadoran Foreign Minister Galo Leoro and Peruvian Foreign Minister Efrain Goldenberg signed the Montevideo Declaration for an immediate and effective cease-fire. The declaration, which ratified the Itamaraty Peace Agreement signed on 17 February, was signed after five hours of negotiations with their fellow foreign ministers from Argentina, Brazil, Chile, and United States.

Gallardo said he still hopes the conflict will stop. He said: Life is immensely valuable to us, but this does not at all mean we are afraid of facing up to the most serious responsibilities. According to Gallardo, the Ecuadoran Armed Forces are prepared to defend the country, and not just in the conflict zone, the 78-square kilometer area that has remained undelimited since 1942, when the Rio de Janeiro Protocol which set the borders between Ecuador and Peru was signed.

Speaking to a television station, Gallardo said that Peru signed the Itamaraty Peace Agreement reluctantly. The signing of the document was an Ecuadoran success, he said, because Ecuador signed immediately. He reiterated that Ecuador has attained military victory and that this is confirmed by the fact that the country has suffered much less than Peru in terms of military casualties throughout the conflict. We still hold the positions that are very important for us militarily, he said. He added that the strategy of wearing down Peru's more numerous and better armed forces has been fulfilled.

According to the Armed Forces Joint Command, the undeclared war has so far cost Ecuador (?27) dead and 80 wounded, while Peru has reported 40 dead.

Joint Command Bulletin Summarizes Events at Front

PA0203044395 Quito Radio Quito in Spanish 0214 GMT 2 Mar 95

[Official Bulletin No. 37 issued by the Ecuadoran Armed Forces Joint Command—read by reporter Alejandro Roman at the Presidency in Quito]

[FBIS Translated Text] 1. Yesterday [28 February] at 0850, a group of Indians—approximately 40 strong—was intercepted [words indistinct] Cueva de los Tayos. They were in traditional garb and were carrying spears. According to their statements, they were heading toward the source of the Cenepa River to settle in the area. The Joint Command is concerned over the way in which these Amazon ethnic groups are being used by the Peruvian Army in its effort to demonstrate a colonizing presence that Peru has never had in the Cenepa Valley. Following urging by Ecuadoran patrols, the Indians began to return to their point of origin.

2. In the same manner, we are profoundly distraught over the use of minors on the battlefield, ignoring the ethical norms of war that every army should respect and maintain.

3. During the course of today, the two countries exchanged prisoners of war through the efforts of the International Red Cross, whose participation was fundamental to seeing this important task to fruition. This exchange was carried out within the guidelines of the Geneva Convention. For our part, each prisoner of war took his medical record with him. The Peruvian prisoners of war who left for Lima today are: Sergeant Rios Sosa, Ricas; soldier Mires Sanchez, Enrique; soldier Salas Huamana, Leoncio; soldier Palomina Valera, Pepe Luis; soldier Liacorta Sanchez, Sandro; soldier Menendez Saavedra, Wilbur; soldier Fernandez Vasquez, Jose.

The Ecuadoran prisoners of war who were returned today and now are at the military hospital in the capital of the Republic for observation are: Sergeant Julio Cesar Pela Arce and Corporal Mayanchela Aldo, Pedro Baltazar.

4. There was nothing new on the battle front today.

5. The military attaches who are serving as observers returned at noon today after spending the night in Coangos. The necessary channels of communication have been established with their counterparts in Peru who arrived at [words indistinct]. In this manner, the established work plan is being fulfilled.

6. As of today, overall casualties amount to 27 killed in combat, 87 wounded in combat.

Observers Afraid To Go to Battle Zone To Verify Cease-Fire

PA0203144895 Quito Voz de los Andes in Spanish 1200 GMT 2 Mar 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] The international observers have not gone to the battlefront because they are afraid of being wounded amid the confusion. The international delegates have yet to enter the battle zone because they insist that there are no guarantees to do so. Nevertheless, Foreign Minister Galo Leoro Franco insists they should enter the battle zone to verify the observance of the cease-fire.

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Finance Minister on Cost of War, Reserve Reduction

PA0203043995 Quito Voz de los Andes in Spanish 0300 GMT 2 Mar 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Quito—Ecuadoran Finance Minister Modesto Correa reported today, Wednesday, that the military conflict that Ecuador and Peru have maintained for over a month has cost Ecuador approximately $250 million—about $7 million per day—to date.

Correa said: We have taken approximately $250 million from the budget. He acknowledged this figure involves an important withdrawal of funds from foreign currency reserves. He added that, when the conflict began on 26 January, he requested a special war budget to finance all related expenses whenever possible.

The figures provided by Correa represent the first specific official figures on the cost of the undeclared war and come on the wake of reports citing figures ranging between $10 million and $30 million per day.

Monetary Board President Ana Lucia Armijos confirmed two weeks ago that foreign currency reserves had dropped $150 million since the conflict began.

Correa told Gamavision television that foreign currency reserves are strong despite the border problem; however, any time imports have to be paid for, the national treasury undoubtedly has to give sucres, the local currency, to the Central Bank. In turn, the Central Bank gives the national treasury dollars.

The country is the first medium-sized Latin American debtor country to reach an agreement with the banks for a reduction of its debt according to the Brady Plan and the one which has received the largest percentage of debt reduction in the region: over 45 percent.

Human Rights, Indian Groups on Effects of War

95P20572

[FBIS Media Note] The Latin American Human Rights Association (ALDHU), in a report entitled "Balance of the Costs of the War," referred to the Peru—Ecuador border conflict as "a tragedy and the manifestation of the failure of civilization." The association decried that the lives of the indigenous peoples are threatened and the Amazon ecology is further endangered.

Impact on Indigenous Population

The ALDHU document, reported Quito EL COMERCIO of 9 February, said that the Indian communities most affected were the Shuars, Achuars, Sionas, Secoyas, Cofanes, Shiwiars, Yurumbis, and Quichuas in the provinces of Zamora Chinchipe, Morona Santiago, Pastaza, Napo, and Sucumbios. According to ALDHU, the towns of Gualaquiza, Macas, and Alamor were experiencing food shortages as were the Peruvian towns of Tumbes, Aguas Verdes, Zarumilla, and Corralitos which depend on the Ecuadoran communities of Huaquillas and Machala for their food and health needs. EL COMERCIO also reported that the communities situated near the military detachments of Soldado Monge, Teniente Ortiz, Etsa, Tihuinza, and Coangos along the southern banks of the Santiago River were targets of Peruvian attacks. The women, children, and elderly have been evacuated to the northern bank. However, the national director of Ecuador's Civil Defense, retired General Laercio Almeida, told HOY of 14 February that supplies of food and medicine to the Amazon region were satisfactory and that planes to evacuate the civilian population remained in readiness. Following a three-day visit to the Amazon provinces and the Indian communities in the war zone, he said that few evacuees had actually come to the refugee centers. Many Indians, he said, were roaming the jungle, and it was difficult to count how many displaced persons there were. The ALDHU report also pointed out that Ecuador had denounced the use by Peruvian troops of Indian civilians to dig trenches, clear trails, and serve as "human shields."

Risk of Epidemics

ALDHU investigations also brought to light that an "indeterminate" number unidentified corpses were littering the combat zone and were becoming a health risk that may trigger epidemics, reported HOY of 11 February.

Indian Leaders Comment

Rafael Pandam, vice president of the Confederation of Indian Nationalities of Ecuador (CONAIE), expressed concern to Quito HOY of 9 February over Peruvian bombardment of native villages. "The Peruvian Army continues to bomb the civilian population to weaken Ecuador," he said, "but we are organized to defend our land." The Indian leader added that the Ecuadoran Amazonian Indians had broadcast a message to their "blood brothers" in Peru apologizing for having to fight them to defend their land. The president and vice president of the Shuar and Ashuar Federation, Felipe Tsenkush and Guillermo Sensu, also expressed concern over the bombing and the "deaths of Peruvian Indians used as "cannon fodder" by the Peruvian Army as well as over those Indians who have fled into the jungle and are exposed to danger and death. The Shuar leaders emphasized that they were not fighting a war against other Indians but "against Fujimori," and they appealed to their Indian brothers across the border not to be "duped" and become involved in a conflict that had nothing to do with them.

Ecological Damage

ALDHU further reported in Quito HOY of 9 February that some 75 km of Amazon jungle had suffered serious damage. Mortar fire, helicopter and jet incursions, rocket attacks, and bombardments have seriously affected the region's fragile ecosystem Furthermore, environmentalists were concerned over the conservation and the maintenance of national parks and nature reserves. Rebeca Justicia Carvajal, executive director of the Maquipucuna

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Foundation, told HOY that a prolongation of the conflict could result in the disappearance of unique species of flora and fauna. She said that financing and support for these protected areas—from both international organizations or the military—were in jeopardy. For example, she said, the 62d Jungle Battalion no longer was able to protect the Podocarpus park against the infiltration of illegal miners.

Fujimori 'Endangering' Regional Integration

(INTERNET) FOREIGN MINISTRY GOPHER in Spanish 14 Feb 95 p 0

[Commentary by Luis Luna Osorio from Quito EL COMERCIO 13 Feb 95 p 7: "Today We Defend Ourselves; Tomorrow We Build"]

[FBIS Translated Excerpt] 13 Feb (OPINION)—For many years we have been working with all of our might for Latin American and for Andean integration. We were then and are now convinced that, in the world concert of nations, no Latin American country, and especially no Andean country, is in a position to have any specific, important impact on the world if it does not integrate itself with its neighbors and form, in all logical areas of political, economic, social, and cultural action a single, vital, and strong unit, interested in learning and investigating and concerned about developing interdependency.

Therefore, we are highly concerned about the attitude which Peru, led by President Alberto Fujimori, has recently displayed. There is no doubt that this attitude is contrary to Latin American and regional interest in the rapid establishment of a solid and coherent bloc of peace-loving countries, tirelessly seeking new paths toward development.

Anti-Integration Attitudes

In 1991, at the presidential summit meeting, Fujimori did not agree that the Andean Development Corporation should extend a loan to Ecuador. It was hoped that this loan would make possible the implementation of Decision 257 of the Cartagena Agreement Commission on international highway transportation, despite the fact that Colombia and Venezuela supported that project with a great deal of enthusiasm.

In 1993 Peru, acting on its own, suspended its rights and obligations under the Cartagena Agreement, thus sweeping away the real progress made in the process of Andean integration, in establishing the Andean free trade zone and common external tariff schedule, and in other areas as well.

In 1994 the Peruvian Ambassador to Ecuador abused our national confidence and used the results of a poll for his own advantage. In January 1995 Peru began a military escalation on the unmarked border between Peru and Ecuador. This action led Ecuador to carry out a military operation which was defensive in character, at a very high cost in financial terms and in human lives.

None of those attitudes shows any interest by the Peruvian president now in office in Latin American or Andean integration.

Ecuador and Peru, as was stated at a seminar, are like distant neighbors, because nothing will repair the damage which has been done.

Sign of Optimism

When this article is public, we hope that the military forces of the two countries will have returned to their barracks, that the sound of guns going off will never be heard again, that the diplomats will have done their work, and that the peoples of Ecuador and Peru will have resumed their efforts in favor of peace.

It is not acceptable to the human spirit that out of consideration for paltry interests, two nations with enormous social problems to resolve, many hungry people, a shortage of housing, and high percentages of illiteracy and disease, should compromise their future and waste the scarce budgetary resources of each country on death-dealing devices, such as guns and ammunition, and on mobilizations and the paralyzation of economic life. These resources should serve to bring things to life, to make this a worthy life, and to turn this worthy life increasingly into a life which is more satisfactory for all of us. [passage omitted]

Peru

Fujimori Returns; Goldenberg Comments to Press

PY0203124895 Lima Radio Programas del Peru Network in Spanish 1137 GMT 2 Mar 95

[FBIS Translated Text] Peruvian President Alberto Fujimori returned to the country this morning after having attended the ceremony marking the inauguration of Julio Maria Sanguinetti as new Uruguayan president in Montevideo.

The Peruvian president arrived in Lima at 0020 aboard the Peruvian Air Force presidential plane. At the airport, he was welcomed by a delegation made up of Constituent Congress President Jaime Yoshiyama, the president of the Armed Forces Joint Command, Economy Minister Jorge Camet, and Defense Minister Victor Malca Villanueva. The president left the military base without making any statements to the press.

Foreign Minister Efrain Goldenberg, a member of the official delegation that accompanied the president, made some comments upon returning to the country about the Montevideo Agreement that had been signed with his Ecuadoran counterpart and the foreign ministers of the four guarantor countries.

Goldenberg said that thanks to this new agreement, Peru has demonstrated that it has opted for peace, safeguarding its rights and obligations as established in the Rio de Janeiro Protocol.

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[Begin recording] [Goldenberg] It was positive because it seriously involves the guarantor countries, ratifying the cease-fire decision agreed upon by Peru and Ecuador, and it also shows that the country has decided for peace within the overall framework of Peruvian rights established by the Rio de Janeiro Protocol and the defense of national sovereignty.

[Reporter] In practice, what does this new agreement imply?

[Goldenberg] In fact it ratifies the Itamaraty Peace Declaration. It does not include new elements, except for the power granted by the ratification of the four guarantor countries and the two that are directly involved.

[Reporter] What will be the role as of now of the observers and of the guarantor countries?

[Goldenberg] The observers who are already present in the zone of conflict, in a reduced number at this moment, naturally represent an additional factor of stability and self-control for the conflicting parties. [end recording]

Goldenberg declined to comment on the latest confrontations and breaking of the cease-fire by Ecuadoran troops, who yesterday caused the death of two Peruvian soldiers. He argued that he had not yet been informed about this Ecuadoran offensive in the zone called Ampama, where the two Peruvian soldiers were killed.

Papal Envoy Asked To Urge Ecuadoreans Not To Plant Mines

PY0103134095 Madrid EFE in Spanish 0055 GMT 1 Mar 95

[FBIS Translated Text] Lima, 28 Feb (EFE)—Carlos Blanco, president of the Human Rights Committee of the Peruvian Congress, today asked the special envoy of Pope John Paul II to Lima and Quito, Cardinal Marco Furno, to "render his good offices" to prevent the "indiscriminate" planting of mines by Ecuador.

In a letter addressed to Furno, Blanco asked the prelate to mention the Peruvian concerns during the meetings he will hold with Ecuadoran officials.

Blanco expressed his concern that Ecuador "respect the basic norms of human rights," and mentions the fact that the Ecuadoran Armed Forces have planted anti-personnel field mines in places where civilians transit the border between the two countries.

He added that the planting of mines violates the Geneva Accords and additional protocols.

"We have seen with astonishment how the Ecuadoran Armed Forces have mined riverside areas of its territory to prevent free traffic and exchange of trade between the two countries, without even placing signs to allow their elimination," Blanco said in the letter handed over to the cardinal during his stay in Lima.

He also told Furno that the Human Rights Committee of the Peruvian Congress has submitted to the Inter-American Human Rights Commission a request for urgent action for the adoption of measures on the matter.

"We hope the Pope's envoy will be able to render his good offices to the Ecuadoran officials, even when we know that this issue is beyond the special mission entrusted to him by His Holiness Pope John Paul II," Blanco said.

Furno, who on Monday met in Lima with Peruvian President Alberto Fujimori, was sent by the pope to the two countries in an informative mission on the armed conflict between Peru and Ecuador.

It is believed, however, that the main objective of the papal envoy's visit is that of promoting talks between the belligerent countries to achieve the cessation of hostilities.

Military Spokesmen: 'Slow Demilitarization' Expected

PY0103234095 Lima Radio Programas del Peru Network in Spanish 2235 GMT 1 Mar 95

[Live telephone relay by Ismael Byron Horna from El Milagro military base in Bagua]

[FBIS Translated Text] Military spokesmen said that despite the peace agreement signed at the Brazilian Embassy in Montevideo yesterday by the foreign ministers of Peru and Ecuador, a slow demilitarization of the two countries in conflict is expected due to the state of alert at the border. In the meantime, the meeting of the military mission of the guarantor countries continues at this military base. Nothing has been said thus far regarding the meeting they are holding with General Vladimiro Lopez Trigoso, who is the chief of this base. Also, four crew members of the MI-8 Army helicopter that crashed on 27 February due to mechanical failure, according to an Armed Forces communique, are recovering at the Ciro Alegria military base, which is now off limits to reporters. Three of the soldiers, with wounds on their faces and legs, and fractures of the collar bone, were evacuated in a police airplane to the field hospital of El Milagro base. One of the soldiers who survived the crash said the helicopter, under the command of Lieutenant Colonel Francisco Gonzalez, descended from an altitude of 300 meters to avoid a missile fired by the Ecuadoran anti-aircraft artillery. [passage indistinct]

Those were the comments of one of the soldiers who survived the helicopter crash. He said the helicopter, commanded by Colonel Francisco Gonzalez, descended from 300 meters to avoid a missile fired by the Ecuadoran anti-aircraft artillery.

Wounded Soldiers Continue To Arrive at El Milagro Base

PY0203032895 Lima America Television Network in Spanish 0100 GMT 2 Mar 95

[FBIS Translated Text] Despite the comments made by General Nicolas de Bari Hermoza Rios, wounded soldiers

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continue to arrive and troop movements can be seen at El Milagro military base. It has been learned that 450 soldiers of the antisubversive Huallaga Battalion arrived today and that they will be going to the front lines. Many ambulances were also seen bringing wounded soldiers from the front lines.

Tonight, the spokesman of the military observers of the guarantor countries who are in Bagua, Brazilian Colonel Edson Sa Rocha, said that part of the mission is already at PV1 [Watch Post One] and that he does not know how long they will remain at that post to monitor enforcement of the cease-fire.

[Begin recording] [Unidentified reporter] Contrary to the report given by General Nicolas de Bari Hermoza Rios, chairman of the Armed Forces Joint Command, that there were no Ecuadoran ground or air attacks or clashes, the situation seen at El Valor airport is different. Today, for example, there were more ambulances coming to the base to pick up the wounded soldiers who arrived from Tihiunza in light airplanes of the National Police and Air Force. At least 30 wounded soldiers arrived today, most of them with bullet and mortar wounds. The clashes continue. A team of surgeons went to PV1 to help the wounded. They took blood and installed a field hospital at that post. They took all the necessary medicine for surgery. Also, 450 soldiers arrived from Tocache today to reinforce the Army in the conflict zone. The military observers of the guarantor countries have not yet delivered a report on their activities. They set up their headquarters at El Milagro base, and from this point they go to the jungle region to verify the situation at the border. The Brazilian observer greeted the peace agreement. It should be mentioned that it is very difficult to obtain official information. Contact with the military officials is strictly prohibited. Yesterday, unidentified individuals entered the rooms of some hotels where reporters are staying to confiscate their material. Many rolls of film and video cassettes were destroyed. The media reported the incident but there was no reply. Bagua today had a different appearance. The signs opposing the government painted on some houses raised the possibility of the presence of Ecuadoran infiltrators in the zone. [end recording]

Government To Fight Subsidized Agricultural Imports

PY0103130495 Madrid EFE in Spanish 2342 GMT 18 Feb 95

[FBIS Translated Text] Lima, 18 Feb (EFE)—Peruvian Agriculture Minister Absalon Vazquez today stated that in order to defend its domestic production, Peru will wage a war "without quarter" on imported agricultural products that have been subsidized by the exporting country.

In remarks to the national news agency ANDINA, Vasquez said that as part of this war "custom tariffs and surcharges have been revised to make the prices of imported products comparable to those of our domestic products, in accordance with international costs."

Vasquez said: "It is unacceptable to us to have products costing $200 being sold at $180 in our country only because they have been subsidized. This is unfair competition."

As examples of this practice, he cited Ecuador, Colombia, and Venezuela, which are Peru's partners in the Andean Group, and noted that these countries are subsidizing agricultural production through cheaper energy and lower tariffs for importing seeds and machinery.

He, therefore, ruled out the possibility that Peru would in the near future resume its economic commitments to the Andean Group, which have been suspended since 1992. He described these commitments as "out of keeping with the real interests of our economy."

Vasquez also announced that Peru will request that the Inter-American Development Bank (IDB) "promote an equitable, fair policy of prices for our products on the international market."

Writer Vargas Llosa, Son Charged With Treason

PY0103145895 Madrid EFE in Spanish 2326 GMT 28 Feb 95

[FBIS Translated Excerpt] Lima, 28 Feb (EFE)—The National Security Division of the Peruvian National Police today summoned to appear "as soon as possible" Peruvian-Spanish writer Mario Vargas Llosa and his son Alvaro, based on charges raised against them for alleged treason against the motherland and national security.

The summons, issued today in Lima, was sent today to London and Miami, where the Vargas Llosas live, father and son respectively, asking them to turn up at the police division to testify in face of the charges that have been raised.

The charges against the writer and his son were filed by Peruvian lawyer Santiago Sanguinetti Galindo at the Lima penal prosecutor's office. He charges them with committing a crime against the nation and national defense (against national security and treason against the motherland), the police summons states.

They were likewise charged with a crime against public administration, or disobedience to the detriment of the Peruvian state and Peruvian President Alberto Fujimori. [passage omitted]

The lawsuit filed by Sanguinetti is based on articles critical of President Fujimori that were written by Mario Vargas Llosa and his son for various publications about the war conflict that has been going on between Peru and Ecuador since 26 January.

Mario Vargas Llosa labeled the lawsuit a "stupidity" and a "farce of the Fujimori dictatorship." He said this in London, where he is currently living.

He added that through the lawsuit Fujimori is seeking to turn him and his son into "scapegoats" to justify his belligerent attitude toward Ecuador. [passage omitted]

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Uruguay

Sanguinetti Inaugurated in 'Warm' Ceremony

PY0203003095 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2035 GMT 1 Mar 95

[FBIS Translated Text] Montevideo, 1 Mar (AFP-NA)—Attorney Julio Maria Sanguinetti received the presidential sash from the hands of outgoing Uruguayan President Luis Alberto Lacalle this afternoon. The protocol ceremony was warm, and it was witnessed by eight South American presidents.

Sanguinetti and Lacalle signed the traditional public notary act registering the transfer of power, and after short speeches, they closed the act with an embrace.

Lacalle, who administered the country from 1990 and 1995, wished his successor a great administration "of peace and prosperity," committing his support to the task of transforming and modernizing the country.

Sanguinetti, in turn, recognized in the outgoing president the passion, conviction, and consistency of a person who ardently fought for his ideas.

At the end of the ceremony, Sanguinetti, with the sash across his chest, accompanied Lacalle to the doors of Estevez Palace (Government House), and bade him farewell with another embrace before the crowd that had gathered there.

Immediately afterward, the new president officially designated the ministers of the bipartisan cabinet that will work with him during his mandate. The composition of the cabinet was the result of agreements between the now ruling Colorado Party and the National Party.

The new president (1995-2000) concluded his agenda by attending a military parade, greeting foreign officials attending the ceremony, meeting with the heads of state present for the inauguration, and taking part in a reception at a downtown hotel.

Asks Peru, Ecuador To Find Solution

PY0103212995 Madrid EFE in Spanish 1839 GMT 1 Mar 95

[FBIS Translated Text] Montevideo, 1 Mar (EFE)—During his inaugural speech, and addressing Ecuadoran President Sixto Duran-Ballen and Peruvian President Alberto Fujimori, who were present at the ceremony, Uruguayan President Julio Maria Sanguinetti asked them to find a solution to the armed conflict pitting them against each other.

Sanguinetti noted: "As your soldiers, who are representing your nations, have shed their blood to lawfully defend what they feel involves defending their sovereignty, I hope that you, as statesmen, will be able to find, with the same courage, a peaceful path that will glorify you."

The Uruguayan president ended his inaugural speech in Congress by telling Duran-Ballen and Fujimori: "Dear friends, for a soldier, winning a war is glorious; for a statesman, achieving peace is glorious. So be it." Sanguinetti received a standing ovation by the eight South American presidents, and subsequently embraced them all.

Inaugural Speech Highlighted

PY0203024195 Madrid EFE in Spanish 2027 GMT 1 Mar 95

[Report by Jorge Figueroa]

[FBIS Translated Text] Uruguayan President Julio Maria Sanguinetti said during his inauguration today that his government will strive for efficiency and quality to improve the country's economic resources and definitively defeat poverty.

Education, which is in the eyes of reformers, and knowledge are "the tools to achieve that efficiency," the president said.

Sanguinetti, a 59-year-old lawyer and journalist, assumed the presidency for the second time. His first mandate was from 1985 to 1990.

The presidents of Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Paraguay, and Peru, as well as delegations from fifty other countries, witnessed the new Uruguayan president's inauguration.

"Our country today has less poverty, but much more marginality than in the past, and this is connected with social violence," the president said, assuring the audience that during the next five years "we will mount a great effort to fight marginality."

The ruler stressed that the country "must grow outwards, and it can do it," and pointed to the traditional meat, wool, and manufacturing industries and the growing possibilities of the agriculture, milk, and timber industries.

"We need more resources (derived from more exports) to invest in education, health, new homes, and, in particular, social security," Sanguinetti said.

"We cannot transform the blessing of our fellow countrymen enjoying longer and better lives into a tragedy with a social security system at the brink of collapse. This is why it is indispensable to find a solution. Fortunately, all political groups agree," the president said.

With respect to the regional integration process, and particularly with respect to Mercosur [Common Market of the South], of which Uruguay is a member along with Argentina, Brazil, and Paraguay, Sanguinetti said: "The challenge for our Congress and our administration will be to act with efficiency and in harmony with our neighbors."

"The success of efforts in the field of education is increasingly linked to the development of our country. This will be one of our priorities," Sanguinetti said.

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The new Uruguayan president, from the Colorado Party, mentioned the agreement with the National Party, the other traditional party, to form a coalition government, and the agreements with other opposition groups "to seek solutions to the country needs."

"All four parties with congressional representation agree in some aspects, three blocks agree in other aspects, and two agree in still other aspects. In any case, the fact that we agreed to seek better solutions for our problems honors the Uruguayan political system," Sanguinetti said.

According to the president, "the discrepancies and differences are good, but they must have the limits set forth by democracy."

Sanguinetti stressed the "great honor and heavy responsibility" of being the first president in Uruguay's history to become president for the second time through direct elections.

"I have a great and strong ambition: To fulfill our Founding Instructions' (1813) mandate to form a government dedicated to preserve the advantages of freedom and justice, mercy, moderation, and industry," the president said.

The new president characterized the South American presidents present as "partners in an adventure into new times," adding that Uruguay "feels identified with Latin American destity more than ever."

The Uruguayan head of state ended his speech before Congress with a call to the presidents of Ecuador and Peru to find the road to peace.

"Just as your soldiers, who represent your countries' peoples and who have shed their blood to defend, with the strongest feeling of legitimacy, their own sovereignty, I hope you, their rulers, can also find, with the same courage, the road to peace, which will be your own glory," Sanguinetti said, addressing Sixto Duran-Ballen and Alberto Fujimori.

Paraguay's Wasmosy Attends Inauguration

PY0103130095 Madrid EFE in Spanish 0126 GMT 1 Mar 95

[FBIS Translated Text] Montevideo, 28 Feb (EFE)—The president of Paraguay, Juan Carlos Wasmosy, today emphasized in Montevideo his happiness to participate in the transfer of the presidential mandate in Uruguay, "because these ceremonies prove the strengthening of democracy in Latin America."

Wasmosy, another seven South American presidents, and delegations from over 50 countries will participate on 1 March in the ceremonies in which President Luis Alberto Lacalle (National or Blanco Party) will deliver the presidential sash to President-elect Julio Maria Sanguinetti (Colorado Party).

Sanguinetti, 58, the first democratic president (1985-1990) after a 12-year military regime (1973-1985), handed over power to Lacalle five years ago.

The Uruguayan Constitution prevents incumbent presidents from running for reelection. In order to run for reelection, incumbents have to wait for one term of office, as it happened with the president-elect.

Wasmosy noted: "With the transfer of power from a president elected by the people to another president elected through the ballot boxes, democracy is being strengthened in Latin America, and integration processes like Mercosur [Common Market of the South] are being enhanced."

Mercosur is made up of Argentina, Brazil, Paraguay, and Uruguay, and a customs union for trade among these countries became effective on 1 January.

In addition to Wasmosy, Argentine President Carlos Saul Menem, Bolivian President Gonzalo Sanchez de Lozada, Brazilian President Fernando Henrique Cardoso, Colombian President Ernesto Samper, Chilean President Eduardo Frei, Ecuadoran President Sixto Duran-Ballen, and Peruvian President Alberto Fujimori will attend the transfer of power ceremonies.

Outgoing Administration Sums Up Economic Achievements

PY0203143195 Montevideo BUSQUEDA in Spanish 16 Feb 95 p 17

[FBIS Translated Text] The current administration has issued a 20-page document containing a dozen charts summarizing "Uruguay's Macroeconomic Evolution for the Period 1990-1994." The document was handed a few days ago to the incoming administration. It reflects pride and satisfaction.

The report was prepared by Planning and Budget Director Javier de Haedo and reviewed by Economy and Finance Minister Ignacio de Posadas. It refutes the criticism against government economic policies over the past few years.

The document recognizes the achievements of the previous administration (1985-1990) although it criticizes and points out that Central Bank (BCU) balances contained "artificial operations," known in technical jargon as "make up."

The document outlines the administration's achievements in opening the economy and highlights the political obstacles that faced the implementation of structural reforms and privatizations. The document also recognizes mistakes, like the use of public funds to cover public salary increases at the beginning of 1993. At that time Haedo was not an economic team member.

A chart entitled "How It Was Received...And How It Is Being Handed Over" shows the economy grew; investments increased; salaries, pensions and family incomes

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improved generally—especially at the lower levels; the poverty rate decreased; exports and imports increased; inflation dropped; the fiscal deficit and the foreign debt were reduced; BCU reserves increased; and the general situation of the BCU and the Bank of Uruguay [BROU] improved. The document recognizes that the current account surplus (foreign trade in goods and services) became a deficit during this administration and the unemployment rate is higher now than at the end of 1989.

The document stresses "the dramatic short-term situation" that confronted the National Party at the start of its administration in 1990. The document recalls that the fiscal deficit was growing and that it was projected at nearly 10 percent of the GDP (it was 7.7 percent in 1989 plus 2 percent due to pensions adjustments reform). The document points out that inflation "had risen uninterruptedly" to 124 percent annually during the first quarter of 1990 while BCU and BROU reserves were dropping.

The document says that these two banks' foreign currency reserves (assets minus liabilities) dropped by $747 million in 1989. The document says this situation was not reflected in Central Bank reports because of the use of "artificial operations through which the BROU made large deposits at the BCU at the end of every month only to withdraw them again at the start of the next month."

The document recognizes "the important economic growth of 20.7 percent" during the Colorado Party administration, but adds that this growth in 1986 and 1987 was "only" possible because of "an excellent and temporary regional situation" and "the existence of a significant idle capacity in productive activities."

The document says this administration's main economic goals were "the financial reorganization of the public administration and the economic reform of the country, seeking to put the nation on the path of stability and to improve the allocation of resources for long-term sustained growth."

Referring to fiscal matters, the document states that the 1990 adjustment measures sought to increase government revenues (through temporary tax increases) while "adopting measures to reduce" spending although "the entire effort was centered on reforming the social security system," which is considered "the main component of overall spending."

The document blames the fiscal deficit at the end of its term of office on this administration's shortcomings and other factors. Among the other factors, the document states that the opposition in Congress voted to spend without establishing where the money would come from while creating obstacles for structural reforms.

Among the administration's mistakes the document reiterates an issue that was at the center of the political-electoral debate: "A large increase in public investments during 1994," particularly in the Public Works and Transports Ministry, the Housing and Environment Ministry, and some public companies including (UTE [General Administration of State Electric Power and Telephones] and ANTEL [National Telecommunications Administration]).

With respect to fiscal matters, the document says the government recognizes "the divorce between salary and fiscal policies" although sustaining that "the government felt compelled" to grant salary increases to public servants at the end of 1992 and early in 1993.

While praising the results of the five-year term, the document says the GDP grew by nearly 18.7 percent, although after deducting the effect of the closing of the ANCAP [National Administration of Fuels, Alcohol, and Portland Cement] refinery due to constructions, the accrued growth was 20.9 percent. The document states: "It is untrue that Uruguay is stagnating and has no dynamism," stressing that investments during 1990 and 1993 increased by an accrued annual rate of 15 percent. It adds that private consumption increased by 5 percent and public consumption by slightly less than 1 percent.

The document says exports (of goods and services) increased by 6.9 percent per year, adding that "this contradicts the predominant feeling that our exports did not increase during this period." The document concludes that exports increased during this period at a faster rate than during the Colorado Party administration.

Venezuela

Caldera on Border Situation, Ties With Colombia

PA0203035395 Caracas Venezolana de Television Network in Spanish 1550 GMT 1 Mar 95

[Report by Pedro Prado; from "The News" newscast]

[FBIS Translated Text] President Rafael Caldera, concerned about the tense situation at the border, this morning summoned three of the 12 Venezuelan marines who survived the Colombian guerrilla attack.

President Caldera reasserted his request that Colombia give a strong and immediate reply to the guerrilla attack on the Venezuelan Navy post in Apure State.

The head of state said it sometimes seems that the Colombian Army and Government do not feel capable of fighting their rebels. That is why Venezuela demanded the guaranteed presence of Colombian forces on the border zone with our country.

President Caldera said it seems that the Colombian guerrilla groups want to create tension between Venezuela and Colombia. He also said the border between the two states cannot be closed.

[Begin Caldera recording] You cannot give the Colombian guerrilla groups the satisfaction of cutting commerical ties between two countries that are constantly trading, just to play into their hands and give them something they have no right to. Clear, positive, and effective action against

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these criminals is expected. We demand that a real and sincere effort be made to combat, punish, and control this situation because it is causing us not only discomfort but also irritation. The mood among the Venezuelan public is very tense.

Relations between the Venezuelan and Colombian Armed Forces have been excellent, and every time something occurs on one side or the other immediate notification is received. However, we have not seen sufficiently active or efficient responses from the other side. Evidently, in a situation like this, one cannot think that a border drawn on a map or a shallow river between two countries should be taken as license to launch a surprise criminal attack on one side and then with impunity simply cross over to the other side. [end recording]

In President Rafael Caldera's opinion, the diplomacy applicable in this type of tragedy is for the two parties to share the same conviction. Both Venezuela and Colombia must counter this type of bloody incident provoked by the neighboring country's guerrilla groups.

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